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State of Rhode Island and Providence Plantations

SPECIAL REPORT

OF THE

Board of Tax Commissioners

MADE TO THE

GOVERNOR

ON

NEW SOURCES OF REVENUE

January 1, 1916

Inheritance Tax
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS.

EXECUTIVE CHAMBER.

SEPTEMBER 29, 1915.

BOARD OF TAX COMMISSIONERS,
State House,
Providence, R. I.

GENTLEMEN:—In the annual report which your department is required by law to make to the Governor for presentation to the General Assembly, I would request that the question of increased revenues for the State be given special attention. I make this suggestion in view of the increasing demands upon the General Treasury due to the growth of the State's activities, and the necessity for guarding against the impairment of the efficiency of the various departments through the failure of the State funds to meet the requirements of the situation.

I trust your Board will not confine itself entirely to recommendations for the better assessment and collection of taxes under existing statutes, but that it will also indicate such new sources of revenue as will yield the desired increase, tend to more equitable distribution of the tax burden, and be in line with the logical development of the system of taxation inaugurated with the enactment of the Tax Act of 1912.

I also suggest, if there is sufficient time at your disposal, that your Board outline some method or methods for providing the General Assembly, early in the session and in convenient form, with information regarding the receipts and disbursements of the various State Departments.

Very truly yours,

R. LIVINGSTON BEECKMAN,

Governor.

SPECIAL REPORT ON NEW SOURCES OF REVENUE.

In compliance with the request of your Excellency transmitted to this Board September 29th, 1915, the following is respectfully submitted:

Means for Raising Revenue.

There are two means by which the revenue of the state may be readily increased. The first and more important is the development of new sources of revenue; the second is by an increase in the rates of taxation on property already assessed, or an increase in franchise taxes, license fees and other charges made by the state for service or privilege.

The manifest advantage in supplying additional revenue by the development of new sources is that it results in a wider distribution of the burden of taxation, thus tending to equalization, and minimizes, or may relieve entirely, the necessity of increasing rates on property or privilege which is and has been contributing to the support of the state, to which the taxpayers have become accustomed and to which they have adjusted themselves and their business.

It is the opinion of the Board that there are available three sources of revenue which should be developed before any general or permanent increase of rates is resorted to.

Inheritance Tax.

In a consideration of the available sources of revenue for this state a tax on transfers by will or the intestate laws, the inheritance tax, so-called, is unquestionably the most important and demands first

attention, because it is a necessary part of a well balanced state revenue system, particularly if the system is based upon the general property tax theory, and because of the amount of revenue which may be obtained readily and economically without disturbing business, and also because the inheritance tax is approved by economists and administrators generally.

Attitude of Economists and Courts.

Quotations from authorities passing favorable comment on the inheritance tax as a just, convenient and proper means of providing state revenue could be carried to almost any length. While there are of course considerable differences of opinion as to the reasons for, and the methods to be employed in, imposing the tax, there is a marked degree of agreement as to the justice, practicability and economic soundness of this method of taxation. A few quotations are given as of possible interest in this connection:

"Firmly intrenched in a long and honorable history, with the endorsement of the leading economists of ancient and modern times, and approved by the present practice of most civilized governments, he would be indeed brave who should attempt to attack the theory or validity of any sane inheritance tax from an economic standpoint." (The Inheritance Tax Law, Blakemore and Bancroft).

"Modern states, more particularly in recent years, have largely developed the system with varied scales and grades of duty, so that it has come to be almost universally regarded as an essential constituent in any well arranged scheme of finance, and seems to be equally approved by popular sentiment and by the larger part of scientific opinion." (Public Finance, p. 591, Bastable).

"The inheritance tax to-day scarcely needs defence. It is found in almost every country; and the more democratic the country, the more developed is the tax." (Essays on Taxation, p. 133, Seligman).

" . . . but after all due allowance has been made, there is still left a broad field for an inheritance tax of undoubted equity and expediency, as is proven by the testimony of all existing systems of tax legislation (in other words, all convictions as to equity handed down from the past), as also by cogent arguments of policy both as regards taxation simply and as regards social expediency." (The Science of Finance, p. 560, Cohn).

"A defence of the taxation of inheritances is superfluous. Its existence in all but a few of the civilized nations and in all but a few of the more backward states is its chief defence." "The modern inheritance tax is the spontaneous product of democracy." (Proceedings First National Tax Conference, pp. 211, 220, Prof. Joseph H. Underwood).

It would be a task of no little difficulty to find a recent report by any regular or special commission upon the subject of state revenue which did not approve unqualifiedly some form of inheritance taxation as a part of the fiscal system.

The power of the state to regulate and even prohibit the devolution of property upon the death of the owner has been the subject of much discussion. The right of inheritance is considered by some to be a natural right, and while the right of the state to regulate inheritances is not denied it is affirmed that the state cannot abolish the right of succession by inheritance or bequest entirely.

David MacGregor Means (The Methods of Taxation, p. 215) sustains the idea that the right of inheritance is a natural right, and claims that the rulings of courts to the contrary are based upon a restricted view of the doctrine of natural rights. He says:

"So far as common usage is concerned, it cannot be denied that men speak of the natural right of widows and children to retain the house and goods, the title to which was vested in the dead father, but the acquisition of which may have been accomplished through the combined labors of all the members of the family. Historically, as we have seen, family, rather than individual, ownership prevailed in early time, and if we use the term 'natural' as meaning what has been customary, it can hardly be denied that the surviving members of a family have a natural right of inheritance. Nor, within certain limits, does the result seem different if the term is used in the sense of what ought justly to be; for it seems impossible to disregard the claims of widows and children."

Continuing he argues that the inheritance tax is not a tax on the transfer of property, but on the property itself, and objects to it on both social and economic grounds.

"The general consent of the most enlightened nations has from the earliest historical period recognized a natural right in children to inherit the property of their parents." (United States vs. Perkins, 163 U. S. 625).

The Supreme Court of Wisconsin, as quoted in "The Inheritance Tax Law" (p. 27, Blakemore and Bancroft):

"So clear does it seem to us from the historical point of view that the right to take property by inheritance or will has existed in some form among civilized nations from the time when the memory of man runneth not to the contrary, and so conclusive seems the argument that these rights are a part of the inherent rights which governments, under our conception, are established to conserve, that we feel entirely justified in rejecting the dictum so frequently asserted by such a vast array of courts that these rights are purely statutory and may be wholly taken away by the legislature.

"It is true that these rights are subject to reasonable regulation by the legislature; . . . ."

Continuing, these authors comment: "We venture to suggest that the attitude of the majority of our courts is more historical than sensible, that no court in this country has ever actually upheld the state in appropriating all the property of a decedent for taxation, and we doubt if any court ever will approve of such an outrage in time of peace."

The opposite view, that the right of inheritance is not a natural but a civil right, seems to be sustained by the weight of legal opinion and to have the best historical foundation.

"The right of inheritance, or descent to children and relations of the deceased, seems to have been allowed much earlier than the right of devising by testament. We are apt to conceive at first view that it has nature on its side; yet we often mistake for nature what we find established by long and inveterate custom. It is certainly a wise and effectual, but clearly a political, establishment; since the permanent right of property, vested in the ancestor himself, was no natural, but merely a civil, right." (Vol. 2, Blackstone's Commentaries, 10).

Probably the decision most often quoted sustaining this contention is from Eyre vs. Jacob, 14 Gratt. (Va.) 422, 430, in which Judge Lee says:

"The right to take property by devise or descent is the creature of the law and secured and protected by its authority. The legislature might, if it saw proper, restrict the succession to a decedent's estate, either by devise or descent to a particular class of his kindred, say to his lineal descendants and ascendants; it might impose terms and conditions upon which collateral relations may be permitted to take it; or it may to-morrow, if it pleases, absolutely repeal the statute of wills and that of descents and distributions and declare that, upon the death of a party, his property shall be applied to the payment of his debts, and the residue appropriated to public uses. Possessing this sweeping power over the whole subject, it is difficult to see upon what ground its right to appropriate a modicum of the estate, call it a tax or what you will, as the condition upon which those who take the estate shall be permitted to enjoy it, can be successfully questioned."*

History.

The general application of this system of taxation is evidenced by the fact that it is in use in all the principal countries of Europe, in Australia and in Canada, and in all but six of the United States, in Porto Rico and in Hawaii.

"The origin of the inheritance tax has usually been attributed to the Emperor Augustus, who is known to have established such a tax at Rome in the year 6 A. D."† The Romans appear to have borrowed the idea from the Egyptians who had such a tax in 117 B. C.

The tax imposed by Augustus was a 5 per cent. tax on inheritances and bequests, limited in its application to Roman citizens, with small exemptions and allowances for funeral expenses and, under certain conditions, the exemption of the nearest relatives.

*For a list of decisions see "The Inheritance Tax Law," (Blakemore and Bancroft) Chapter 7; also "The Inheritance Tax" (Max West).

†The Inheritance Tax, Max West.

Under different titles and in various forms taxation of inheritances has come down to the present. During the Middle Ages certain feudal dues were exacted, the relief and heriot, by the overlord.

"But the direct connection between these feudal dues and the modern inheritance taxes is hard to trace. It is probable that the older dues suggested the feasibility of the modern inheritance tax. But no closer connection than that has been established."*

Germany, Denmark, France, The Netherlands, some of the Italian cities and the Duchy of Mantau imposed various forms of taxes on inheritances from the Fourteenth to the Seventeenth Centuries.

"But while the influence of the medieval idea is still to be seen in a few of the continental countries where the payment is regarded as made for the privilege of succession, the tax is almost everywhere of independent and comparatively recent origin. The inheritance tax as now understood in most countries is essentially the product of modern democracy. The inheritance tax is to-day found primarily in democracies like those of England, Switzerland, Australia and America."†

Federal Inheritance Taxation in the United States.

The Federal government imposed an inheritance tax at an early period. The first act imposing a tax of this character provided for a light graduated tax on inheritances other than those received by wives, children and grandchildren. The act took effect in July, 1798, and remained in force four years. A system of inheritance taxes was recommended to Congress in 1815, but the recommendations were not adopted. In 1862 an inheritance tax was imposed as a war revenue measure. This law was amended several times, and the rates were raised in 1864. The law was repealed by act of July 14, 1870, the repeal taking effect October 1st.

The income tax provision of the National Revenue Act of 1894 contained a provision for taxing as income all money and the value of

*Introduction to Public Finance, p. 303, Carl C. Plehn.
†Essays on Taxation, pp. 121, 122, Seligman.

all personal property acquired by gift or inheritance. This law was annulled by the Supreme Court. The war revenue bill of 1898 contained a provision for taxing legacies and distributive shares; it was amended in 1901 to exempt certain bequests, and the act as a whole was repealed in 1902.

Early State Inheritance Taxation.

Pennsylvania was the first state to impose an inheritance tax; the law which was passed in 1826, although amended several times, remains practically as it was enacted. This law provided for a uniform rate of 5 per cent. and an exemption of $250, and it did not apply to the inheritances of a father, mother, husband, wife, child, step-child, lineal decendant and daughter-in-law. The law recognized the situs of personal property as the domicile of the owner, and did not impose a tax on the stock of domestic corporations owned by a non-resident decedent, and did not tax the securities of a foreign corporation owned by a non-resident decedent, even when such securities were kept within the state.

Louisiana was the second state to impose an inheritance tax. The law was enacted in 1828, was repealed in 1830, revived in 1842, and remained in force until 1877. The tax was imposed at the rate of 10 per cent. on property passing to non-resident aliens. An attempt was made later, in 1894, to revive the statute of 1828, but the law was declared unconstitutional. The constitution was amended in 1898, limiting the power of the legislature in respect to inheritance taxation, fixing the maximum rate at 3 per cent. for direct and 10 per cent. for collateral heirs. Louisiana now has an inheritance tax law which provides for a tax of 2 per cent. on direct heirs, with an exemption of $10,000, and a 5 per cent. tax on collateral inheritances with no exemption; the tax not to be operative, however, if it can be shown that the property has borne its just share of taxes prior to donation or inheritance.

Virginia in 1844 imposed a collateral inheritance tax on estates of $250 or more passing to persons other than the decedent's father,

mother, husband, wife, brothers, sisters, or lineal descendants. The law required the rates to be fixed by the legislature at each session, and the law was held to have been repealed because the legislature omitted to fix the rate in 1856. A collateral inheritance tax was again imposed in 1860, and with varying rates and periodic suspensions it continued in force until 1884, when it was repealed. A collateral inheritance tax was reimposed in 1896. Parents, grandparents, husband, wife, brothers, sisters and lineal descendants were exempt and also certain bequests for public, educational, benevolent and religious purposes.

Taxation of Direct and Collateral Heirs.

The following states adopted collateral inheritance tax laws which did not provide for the taxation of direct heirs, in the order named:

Pennsylvania, 1826; Virginia, 1844; Maryland, 1845; North Carolina, 1847; Alabama, 1848; Delaware, 1869; New York, 1885; West Virginia, 1887; Connecticut, 1889; Massachusetts, 1891; Tennessee, 1891; New Jersey, 1892; Ohio,* 1893; California, 1893; Maine, 1893; Vermont, 1896; Iowa, 1896; Missouri, 1899; Arkansas, 1901; North Dakota, 1903; New Hampshire, 1905; Kentucky, 1906; Texas, 1907; Kansas,* 1915.

Eleven of the twenty-two states which originally imposed collateral inheritance taxes have not extended the tax to direct heirs: Alabama,† Delaware, Iowa, Kentucky, Maryland, Missouri, New Hampshire, Pennsylvania, Texas, Vermont and Virginia.

Eleven states which originally had collateral inheritance taxes only have extended them to include direct heirs: Arkansas, California, Connecticut, Massachusetts, Maine, New Jersey, New York, North Carolina, North Dakota, Tennessee and West Virginia.

Two states, Kansas and Ohio, taxed direct inheritances originally, but now restrict the tax to collaterals and strangers.

*Had law providing for a tax on direct inheritances prior to date here given.
†Repealed in 1868.

There are twelve states which at present tax only collaterals: Delaware,* Iowa, Kansas,* Kentucky, Maryland, Missouri, New Hampshire, Ohio, Pennsylvania, Texas, Vermont and Virginia.

Nineteen states have enacted laws imposing both direct and collateral inheritance taxes at the same time: Colorado, Georgia, Idaho, Illinois, Indiana, Kansas, Michigan, Minnesota, Montana, Nebraska, Nevada, Ohio, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin and Wyoming.

Ohio† was the first state to tax all classes of property passing to direct heirs and also the first to apply progressive rates. The law which was passed in 1894 was held unconstitutional the year after its passage because of the progressive feature and certain provisions regarding the exemption of $20,000. In 1904 a direct inheritance tax was imposed at the rate of 2 per cent. with a $300 exemption. This act was repealed in 1906. At present collateral inheritances only are taxed at 5 per cent. with an exemption of $200.

A tax on direct inheritances has been applied in the following states in the order named:

New York, 1891—direct tax applied to personal property only, extended to realty in 1903; Illinois, 1895; Connecticut, 1897; Montana,‡ 1897; North Carolina, 1897; Louisiana, 1898; Michigan, 1899—direct tax applies to personal property only; Colorado, 1901; Nebraska, 1901; Utah, 1901; Washington, 1901; Oregon, 1903; Wisconsin, 1903; Wyoming, 1903; Ohio, 1904—repealed 1906, collaterals only taxed since 1906; California, 1905; Minnesota, 1905; South Dakota, 1905; Arkansas, 1907; Idaho, 1907; Massachusetts, 1907; Oklahoma, 1907—invalid, new law 1915; West Virginia, 1907; Kansas, 1909—repealed 1913, collaterals only taxed since 1915; Maine, 1909; Tennessee, 1909; Arizona, 1912; Georgia, 1913; Indiana, 1913; Nevada, 1913; North Dakota, 1913; New Jersey, 1914.

*Delaware taxed only strangers in blood, 1883–1899. Kansas taxed both direct and collatera 1909–1913.
†The Louisiana law of 1828 provided for a tax on property passing to non-resident aliens regardless of relationship. The New York law of 1891-1903 taxed personalty passing to direct heirs
‡Law apparently intended to exempt real estate passing to direct heirs, but the wording o the statute is obscure, and by strict interpretation said real estate so passing is exempt to all direc heirs *except* father, mother, husband and wife; these are taxed at the collateral rate of 5 per cent.

The thirty states which at present tax both direct and collateral inheritances are Arizona, Arkansas, California, Colorado, Connecticut, Georgia, Idaho, Illinois, Indiana, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Montana, Nebraska, Nevada, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Utah, Washington, West Virginia, Wisconsin and Wyoming.

Kansas and Ohio each have had taxes on direct inheritances which have been repealed and never reënacted. Alabama had a collateral inheritance tax, 1848-1868. The constitution of Alabama, adopted in 1901, imposes restrictions upon the legislature prohibiting the taxation of inheritances of father, mother, husband, wife, brothers, sisters, children and lineal descendants, and limits the rate on taxable inheritances to 2½ per cent.

The inheritance tax law of Kansas, adopted in 1909, was repealed in 1913 apparently for purely political reasons. In 1915 a law imposing a tax on collateral inheritances was adopted. This law provides for three classes; the first class, consisting of husband, wife, lineal ancestor, lineal descendant, adopted child, lineal descendant of same, son-in-law or daughter-in-law, is not taxed; the second class, brothers and sisters, is allowed an unconditional exemption of $5,000, with rates from 3 to 12½ per cent.; third class, all others, no exemption and the rates are from 5 to 15 per cent. It is further provided that shares which net less than $200, after all deductions allowed are made, are not taxed.

Constitutionality of State Inheritance Tax Laws as Affected by Specific Constitutional Provisions.

Inheritance tax laws have been declared unconstitutional in many states because of their failure to conform to the restrictions and limitations imposed by the rule laid down in their constitutions that taxes shall be uniform and equal according to value.

The difficulty, under such constitutional restrictions, of formulating an equitable inheritance tax, which according to modern ideas and practice should provide for classified rates and exemptions as well as recognize degrees of relationship, is apparent. The necessity of exempting small estates passing to direct heirs, and the desirability of progressive rates, and exemptions and classification in accordance with degrees of relationship, impelled legislators to incorporate these features in their laws, and the courts when appealed to on the grounds of constitutionality, while recognizing the right of the law-making body to impose inheritance taxes, in numerous cases declared the laws unconstitutional. The constitutional limitations on the law-making bodies applied to collateral as well as direct inheritances.

In New Hampshire, after operating under a collateral inheritance tax law for four years, 1878–1882, the law was declared unconstitutional; later, in 1903, the constitution was amended, and the present law taxing collateral inheritances was passed in 1905.

Minnesota seems to have had the greatest amount of difficulty in complying with its constitutional provisions; the inheritance tax laws of 1897, 1901 and 1902 were in turn declared unconstitutional, and the law of 1905 survived after considerable litigation. The question seems to have been settled by an amendment to the constitution in 1906 which extended the powers of the legislature in the taxation of inheritances.

The Oklahoma law of 1907 was practically declared invalid, and a new law was passed in 1915. Missouri attempted to tax collateral inheritances in 1895, but the law was declared unconstitutional; later, in 1899, a law taxing collaterals was passed and is still in force. In South Dakota the law was declared unconstitutional, but upon rehearing was sustained.

The direct inheritance tax law of Ohio was declared unconstitutional because of progressive rates and the exemption of estates of $20,000 or less, but the court ventured the statement that if that exemption or any other exemption had applied to every estate it would have been valid; it was the inequality of the exemption, not the fact of an exemption alone, which was the determining factor.

Pennsylvania's direct inheritance tax law was declared unconstitutional because of the exemption of $5,000. In Tennessee a similar objection was not sustained.

The Wisconsin law of 1899 was declared unconstitutional because the exemption depended upon the size of the entire estate and not upon the separate shares. The Massachusetts Supreme Court on the same point under a similar exemption said:

"The exemption in the statute under consideration is certainly large as an exemption of estates, but it is peculiarly within the discretion of the legislature to determine what exemptions should be made in apportioning the burdens of taxation among those who can best bear them, and we are not satisfied that this exemption is so clearly unreasonable as to require us to declare the statute void."*

In the same case the court sustained the right to distinguish between direct and collateral heirs and strangers in blood, both as to rates and exemptions, saying that the principle had the sanction of practice and reason.

Constitutional Difficulties at a Minimum in Rhode Island.

The constitution of Rhode Island in relation to taxation says: "and the burdens of the state ought to be fairly distributed among its citizens."† and "the general assembly shall, from time to time, provide for making new valuations of property, for the assessment of taxes, in such manner as they may deem best."‡

It is apparent that our legislature is free from most of the restrictions and limitations imposed by the constitutions in a number of states, and that many of the perplexing questions in regard to constitutionality which have arisen elsewhere are not likely to occur in Rhode Island.

Growth of Taxation of Inheritances in Recent Years.

After the passage of the collateral inheritance tax law of Pennsylvania in 1826 and the law taxing the inheritances of non-resident aliens by Louisiana in 1828, no further legislation on the taxation of inheritances was adopted for sixteen years. In the next four years Alabama, Maryland, North Carolina and Virginia imposed collateral inheritance taxes. From 1848 to 1885 Delaware was the only state to adopt legislation of this character.

*Minot vs. Winthrop, 162 Mass.
†Art. 1, Sec. 2.
‡Art. IV, Sec. 15.

The year 1885 may properly be considered as the date from which the real development of inheritance taxation began in the United States. Three states—Connecticut, New York and West Virginia—adopted inheritance tax laws from 1885 to 1890. During the period 1890-1900 inheritance taxation assumed a prominent place in legislation, and sixteen states either adopted inheritance taxation for the first time or expanded their old laws. The next ten years showed even a more rapid extension of this principle of taxation, twenty-three states passed laws on the subject, and from 1910 to 1915 six more applied the system.

Twelve states have either incorporated inheritance taxes into their fiscal systems or enacted new laws within the last three years, and many states have made important additions and amendments to their laws during the same period.

There are now but six states which do not tax inheritances in some form: Alabama, Florida, Mississippi, New Mexico, Rhode Island and South Carolina.

A Tax Upon the Transfer of Property.

There has been much discussion as to whether the tax was upon the property itself or upon the transfer of the property. The decided weight of opinion, both legal and economic, is to the effect that it is a tax upon the transfer.

Differences between the States in Classification of Heirs, Exemptions and Rates.

There are wide differences between the twelve states which do not tax the inheritances of direct heirs, as to what transfers are taxed, and as to the rates imposed and exemptions allowed. In some states

grandparents, brothers and sisters, and uncles and aunts are included in the exempt class; in others the exemption is confined to father, mother, husband, wife, adopted child and direct lineal descendants of the testator.

Four states allow no exemptions and have a flat rate of 5 per cent., and their classifications of exempt heirs are not very dissimilar. Delaware has four classes, four rates and a flat exemption of $500. Texas has three classes, three progressive rates and exemptions of $2,000, $1,000 and $500 according to class.

In the states imposing a tax on direct inheritances the practices are very dissimilar, classes, rates and exemptions varying between wide limits.

California and Minnesota afford perhaps the best examples of highly differentiated classifications as to relationship, exemptions, rates and the points at which the highest rates apply.

In California in the class of direct heirs are included lineal ancestors of decedent, husband or wife, lineal issue, adopted or acknowledged child, lineal issue of either. In this class the exemption of widow or minor child is $24,000 and $10,000 to others. The rate on $25,000 or less is 1 per cent.; $25,000 to $50,000, 2 per cent. The maximum rate of 15 per cent. is reached at $1,000,000, and all sums in excess of this amount are taxed at this rate. Collateral heirs are divided into two classes, with exemptions of $2,000 and $1,000 according to nearness of relationship. Strangers in blood are allowed an exemption of $500. The initial rates for these three classes are 3, 4 and 5 per cent., respectively. The maximum rate in the case of collateral heirs applies to amounts over $1,000,000, and these rates are 25 and 30 per cent., respectively. The maximum rate applying to strangers in blood is 30 per cent., but it applies to amounts over $500,000.

In Minnesota the highest rate applies to inheritances of over $100,000 and in the case of a wife or lineal issue it is 3 per cent.; husband, adopted or acknowledged child or the issue of the same 4½ per cent. The same rate applies to lineal ancestors, but the exemption in that case is but $3,000 instead of $10,000 as in the

first two classes. In the case of brother, sister, nephew, niece, son-in-law or daughter-in-law the exemption is reduced to $1,000 and the maximum rate is 9 per cent. In the next class, which comprises uncles, aunts or descendants of same, the exemption is reduced to $250 and the maximum rate is 12 per cent.; for strangers in blood the maximum rate is 15 per cent.

Tennessee affords an example of the simpler classification. There are but two classes; father, mother, husband, wife, child and lineal descendants of decedent comprise the first class. Estates of decedents less than $10,000 are not taxed; estates of $20,000 or less are taxed at 1 per cent., and estates of over $20,000 at 1¼ per cent. The second class comprises all not named above; there is no tax on estates of less than $250, and for estates greater in value the tax is 5 per cent.

The lowest initial rate applied in any state to direct heirs is 1 per cent. and the highest 2 per cent. The lowest ultimate rate is 1 per cent. and the highest 15 per cent. for the first class. As these classes vary to a great extent, and as there is a great difference in the amount of exemption allowed, the rates alone do not offer a very satisfactory basis for comparison.

Methods of Classifying Heirs.

There are very wide differences between the several states in methods of classification. In those states which are said to tax collaterals only, we find considerable differences as to what constitutes direct heirship. Some states include lineal ancestors, sons-in-law and daughters-in-law in the exempt class, while others do not. In the Kentucky law father, mother, husband, wife, lawful issue, son-in-law, daughter-in-law, adopted child and lineal descendant of decedent are exempt, and all others are taxed at the same rate and the same exemption is allowed.

In Delaware the exempt class includes father, mother, grandfather, grandmother, wife, husband, child, adopted child and lineal descendants, but collaterals are divided into three classes and different

rates applied, and "all others" are taxed at still a different rate and allowed less exemption than the other classes.

States taxing direct inheritances show a similar difference in classification. Arkansas taxes the inheritance of father, mother, husband, wife, child, brother, sister, son-in-law, daughter-in-law, adopted or acknowledged child at the lowest rates, distinguishing between members of this class as to exemptions, and places all others in the second class. Tennessee limits the first class to father, mother, husband, wife, child and lineal descendants, placing all others in the second class.

Massachusetts affords an example of a wide extension of the membership in the first class: husband, wife, lineal ancestor, lineal descendant, adopted child, lineal descendant of same, adoptive parent, lineal ancestor of same, son-in-law or daughter-in-law. The second class is composed of brothers, sisters, of full or half blood, nephews and nieces, all others being in the third class. In some states uncles and aunts are in one class and great uncles and great aunts in another. No general rule as to classification is found and no two states seem to be exactly alike in methods of classification. Some form of classification is found in all states imposing inheritance taxes but one, and the principle is amply sustained both from the legal and economic standpoint.

Progressive Rates.

The question of the constitutionality of the progressive inheritance tax was settled definitely in cases brought under the Illinois statute of 1895. This law providing for progressive rates to distant relations and strangers was upheld both by the state courts and the Supreme Court of the United States.* The positive determination of this question was followed by a rapid application of the progressive principle in a number of states, and progressive rates are now applied to one or more classes in the following states: Arizona Arkansas, California, Colorado, Connecticut, Idaho, Illinois, Indiana,

*Kochesperger vs. Drake, 167 Ill., 122; Magoon vs. Trust & Savings Bank, 170 U. S., 283.

Kansas, Maine, Massachusetts, Minnesota, Nebraska, Nevada, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia and Wisconsin.

The states imposing inheritance taxes which do not employ progressive rates are: Delaware, Georgia, Iowa, Kentucky, Louisiana, Maryland, Michigan, Missouri, Montana, New Hampshire, Ohio, Pennsylvania, Vermont, Virginia and Wyoming.

The principles of progressive rates, the classification of relationship and the graduation of exemptions according to relationship have found such general application in the practices of the several states that they do not seem to require further justification.

"To make a distinction between collateral kindred or strangers in blood and kindred in the direct line in reference to the assessment of such a tax, either by exempting the kindred in the direct line or by imposing on collaterals and strangers a higher rate of taxation, has the sanction of nearly all states which have levied taxes of this kind."*

The General Tendency.

Notwithstanding this great variation in details above referred to a decided general trend is apparent. All states taxing direct inheritances allow some exemptions. These exemptions vary in amounts for members of the first class from $3,000 to $24,000, and there are but four states—Missouri, New Hampshire, Vermont and Virginia—which do not allow some exemption, and these states do not tax direct inheritances. There seems to be a considerable agreement, so far as can be determined by the different practices, that direct and collateral heirs and strangers in blood should have different amounts of exemption allowed, dimishing as the degree of relationship becomes more remote, and thirty of the forty-two states taxing inheritances apply to a greater or less degree this principle.

Classification according to relationship is found in every state taxing inheritances, except Utah, which has one class, an exemption of $10,000 applying to the whole estate, and progressive rates.

*Minot vs. Winthrop, 162 Mass.

The great majority of states employ progressive rates varying both in accordance with the amount of the inheritance and the remoteness of relationship. There is no uniformity of practice either as regards the rate of progression or as to the point at which the maximum rate is applied, or as to what point in relationship the rate, or exemption, or both, is changed. The general acceptance, however, of the principles that small inheritances to direct heirs should be exempt, that the rates should be progressive both as regards the amount of the inheritance and according to the degree of relationship, that exemptions should be graduated according to relationship, and that the maximum rate should apply to the excess over a certain fixed amount, is worthy of attention.

The Question of Situs for purposes of taxation and the Danger of Double Taxation.

There is little interstate comity in the taxation of inheritances, and a resultant double taxation in many cases. The proper situs of taxation for real estate is recognized as the location of the property. The real difficulty appears in the taxation of transfers of intangible property. Serious efforts have been made by some states to avoid double taxation by the introduction into their laws of so-called "reciprocal clauses," which provide for a relief from taxation of property taxed in another state in a similar manner; but if the rates are dissimilar and the foreign rate is less they impose a tax at a rate which represents the difference between the two rates. Some states impose the tax upon corporate securities owned by a non-resident decedent kept within the state, whether the corporation is chartered within the state or not. In some instances transfers of the securities of domestic corporations are taxed regardless of the physical location of the securities or the domicile of the decedent. These states are actuated by a desire for revenue rather than by any consideration of sound economic theory. Under existing conditions double or even multiple taxation may readily occur.

In the formulation of an inheritance tax law certainly one of the most difficult questions involved is the determination of the situs

at which the various classes of property should be taxed. In the case of real estate the question is definitely settled; it is taxed universally in the jurisdiction where it is located; but beyond this nothing is positively determined.

The practice in regard to real estate, so far as it applies to inheritance taxation, seems to meet the requirements of justice and sound economic principle, and there is no reason and apparently no desire to change or modify it. But even here when there is conversion of the real estate in one state for the purpose of paying a legacy or legacies, it has been held that the proceeds of the conversion were intangible and liable to taxation at the domicile of the testator in another state.

The real difficulty arises in the transfer of personal property, and in this regard there is a bewildering diversity of practice and opinion which results in double or multiple taxation in an unjustifiable form, and annoyance and unnecessary expense in administration.

In any consideration of double or multiple taxation it is necessary to determine the different kinds, and to separate those which are bad and avoidable from others which are justifiable or unavoidable.

In its ordinary use the term "double taxation" is applied in such a manner as to convey the idea of injustice and oppression, and so well founded in the popular mind has this meaning become that any system of taxation to which it may be applied is at once condemned without considering the nature or effect of the double taxation.

An illustration of double taxation which is perfectly just and proper from both the economic and moral standpoint is afforded by the usual local tax assessed in this state. The local tax and the state tax are separate and distinct taxes at different rates on the same property at the same time. This is a perfect example of a proper double tax. This tax might be a multiple tax and still be perfectly justifiable, and the only objection which could be properly made would be on the grounds of expense or inconvenience, or some other reason which has nothing to do with the tax itself. The test in

this case is the amount of the tax, not how many times the tax is assessed. If the citizens of a state prefer to raise the necessary amount of revenue by several levies on the same property instead of one, it may be expensive and inconvenient, but it is not unjust from the economic or moral standpoint.

A similar condition is brought about by a Federal and a state income tax. There is no valid objection on the ground of double taxation in this case. Real estate taxed in one state and the income from it taxed in another—the domicile of the owner—is also perfectly justifiable legally and economically. Double taxation of these kinds is not objectionable and is probably unavoidable.

These statements relative to the taxation of personalty hold good regarding the ordinary forms of state and local taxation of property generally. They do not apply, however, to inheritance taxes. If an inheritance tax is held to be a tax on a civil right or privilege it should be levied but once. Taxes on the same inheritance by more than one jurisdiction do not appear to be justifiable economically.

An example of objectionable and avoidable double taxation is afforded by the taxation of wealth in one state and the evidences of wealth in another. A corporation may be taxed upon its entire property and the holders of its securities also taxed at their full value by the same jurisdiction at the same time and rate, or these securities may be scattered throughout many states and taxed according to the domicile of the owners at approximately the same rate.

As there are no constitutional limitations upon the levying of an inheritance tax upon personal property both by the state in which the property may be considered to be located and the state of domicile of the former owner, double taxation may and does occur to a great and even distressing extent. There are of course other considerations than domicile of the former owner, and situs independent of such domicile, which may determine jurisdiction, but these two conditions are the only ones used in the United States. Some states impose nheritance taxes according to the situs of the physical property,

others according to domicile, and still others according to the location of the securities. The legal and constitutional right to impose each of these taxes is clear and well established, and the economic injustice is equally clear.

An example of the foregoing is furnished by a corporation incorporated and owning property in one state, a part or even the whole of the stock and bonds owned by residents of another, and the securities kept in still a third state. This combination of circumstances, by no means rare in practice, furnishes an opportunity for multiple taxation.

"No doubt it would be of great advantage to the country and to the individual states if principles of taxation could be agreed upon which did not conflict with others, and a common scheme could be adopted by which taxation of substantially the same property in two jurisdictions could be avoided, but the constitution of the United States did not go so far, and a state was not bound to make its tax laws harmonious in principle with those of other states."*

States which have large amounts of corporate property within their jurisdiction, with the stocks and bonds of the corporation owning the property held wholly or in large part by non-residents, lean perhaps naturally to the theory that the situs of the property should determine the imposition of the inheritance tax. This theory is carried out in the laws of a number of states, and those maintaining it argue in substance, in sustaining their position, that while the tax is legally a tax upon the transfer of property and not upon the property, the tax is nevertheless measured by the value of the property and is usually made a lien upon it, and the burden falls ultimately upon and is borne by the property. They argue further that taxation is for the maintenance of government, and as the chief purpose of government is the protection of property and the administration and enforcement of the laws of property, therefore the tax which is borne by property within a given jurisdiction should accrue to the use of that jurisdiction, whether levied upon the transfer, devise, succession, interest therein, or property itself.

*Kidd vs. Alabama, 188 U. S. 730.

The difficulty of drafting and administering an inheritance tax law based on this principle is generally admitted to be great and by some it is considered practically insurmountable. Mr. Lawson Purdy, President of the Department of Taxes and Assessments for the City of New York, in a discussion of the subject said that to administer a transfer tax drafted thoroughly in accordance with this theory would be a task of "frightful intricacy."* Wherever the attempt has been made to administer such a law the difficulties encountered have been very considerable, to say the least.

The Correct Principle.

The weight of authority, both legal and economic, in the United States does not seem to sustain this line of argument:

"If the inheritance tax is considered to be a tax on privilege it seems clear that the sovereignty which confers the privilege should impose the tax. The great weight of authority in the United States supports the conclusion that if the law of the owner's domicile says that a certain heir shall receive personal property, the law of the place where that personal property happens to be recognizes the transfer on principles of comity."†

The relative merits of imposing inheritance taxes according to the situs of the personalty and the domicile of the former owner are ably treated in the report of the Committee on Double Taxation and Situs for the purposes of taxation made to the Ninth National Tax Conference. The Committee says:

"We believe that the correct principle underlying taxation of inheritances is that the state which determines the devolution of property should levy the inheritance tax thereon. If this principle is adopted, most questions of situs with relation to inheritance taxation will have been settled. Real estate devolves in accordance with the laws of the state in which it is situated. Personal property devolves in accordance with the laws of the state of domicile of the former owner. Applying the principle stated, it follows that real

*Proceedings of the Sixth National Tax Conference, p. 311.
†Proceedings of the Sixth National Tax Conference, p. 309.

estate should be taxed by the state in which it is situated; personal property by the state in which its former owner was domiciled."

A brief summary of the arguments sustaining their conclusions relative to personal property follows:

Against taxation of personal property according to situs:—Personal property may be said to have a situs for taxation in several states other than that of domicile. Extent of power to impose inheritance taxes on personal property on ground of situs not determined, a serious objection. Does not avoid double taxation. Difficulty of drafting law based on taxation according to situs. Administrative difficulties and cost of collection. Large number of states may be involved in settlement of one comparatively small estate. Involves dealing with fractional parts of estates rather than the whole. Increases number and decreases size of estates taxed. Difficulty in apportioning indebtedness and exemptions. Annoyance, delay and expense to taxpayers. Requires ancillary administration in each state where personal property is located. Burden to taxpayer greater than resultant advantage to taxing state. Especially inapplicable when progressive rates are employed. Inequalities arise between tax on residents and non-residents, favoring latter. Bad effects on investments.

For taxation of personal property according to domicile:—Avoids double taxation. Question of domicile seldom arises. Adjustment of taxes not very difficult. In accordance with fundamental legal theory. Reduces necessity for ancillary administration to a minimum. Simplifies administration, avoids delay and expense to taxpayers and state alike. Power to transmit or receive granted or may be regulated by state of domicile, therefore state of domicile should regulate tax. Deals with estates as a whole, but one set of rates and exemptions to be adjusted and but one appraisal to be made. Has less effect on investments.

Administration.

The practices as to administration show a great variation in the several states. These are of minor consequence as they are

determined largely, if not entirely, by considerations purely local in character. Each state must necessarily comply, so far as possible, with existing practices, and much may be found in the laws of one state which is admirable, but which would be worse than useless if transferred to another. Administration must conform to the conditions existing in the particular state to which it is to apply, and while much assistance may be derived from a careful study of administrative methods in other states, very little, if anything, has been found which could be taken bodily and incorporated into our law.

The Proposed Law.

The Board of Tax Commissioners has endeavored to ascertain, so far as possible, the difficulties incident to the administration of inheritance tax laws in other states, and to so frame the proposed law submitted herewith as to avoid them. Much complaint is made by administrators and trustees generally regarding what appear to be unnecessary delays and expense in the settlement of estates due to certain provisions, regarding the filing of inventories and the appointment of appraisers, found in the laws of some states, and an effort has been made to avoid these difficulties entirely, if possible, and if not, to reduce them substantially.

Considerable annoyance has been caused in some states by imposing upon the courts exercising probate jurisdiction the duty of assessing the inheritance tax. This appears to be wrong in theory and bad in practice, as the assessment of taxes is not a judicial function. Except in so far as probate courts are required to furnish certified copies of documents, and to satisfy themselves that the required tax has been adjusted in accordance with the law, no change in our probate laws has been made, and no new duties, either expressed or implied, have been imposed upon the probate courts, by the proposed law.

The provision found in some laws, which makes the tax a lien upon intangible personalty, is severely criticised as putting a cloud upon the title to securities almost, if not quite, impossible to trace, and administrators and trustees cannot transfer securities without exasperating delays and uncertainties. These difficulties have been avoided by allowing no lien for the tax upon personalty, but a fine is imposed upon the transferring agency for the transfer of securities upon which the tax has not been paid, and provision has been made for promptly and easily ascertaining whether there is liability to the tax and whether it has been paid or not. The state appears to be amply protected by this provision, and the question of defective title to securities upon which the tax has not been paid is removed.

The questions involving jurisdiction, which have in many instances caused troublesome and expensive delays, it is anticipated will be greatly reduced in number and importance by the provision of the law fixing the domicile of the former owner as the situs for taxation of personalty. This provision appears to be in line with the best practice and thought on the subject.

The exemption to members of the first class—$25,000—is so large that in very many cases, unless strangers in blood are involved, there will be only a tax on the net estate to be adjusted, a flat tax of one-half of one per cent. on the net estate in excess of $5,000. It is confidently expected that this provision will prove of great advantage in avoiding delay and expense in the administration of small estates, with no consequent loss to the state.

Ample time has been allowed for the payment of the tax before interest is charged, and a substantial discount given for prompt payment. The exemption allowed to members of the first class is the largest and the rates upon legacies up to $100,000 to members of the first class are the lowest provided in any state taxing direct inheritances.

Provision is made for prompt appraisal in case of disagreement, and for the adjustment of indeterminate taxes in a manner which appears to amply protect the state and avoids delay and expense to the estate.

Non-resident decedents are taxed only upon transfers of real estate, or an interest therein, and ample provision has been made for determining the exemptions to be allowed, and indebtedness to be

deducted, in the determination of the net estate and legacies without troublesome complications or annoying delays. Appeal may be taken from decisions of the Board to the Superior Court sitting in Providence.

Reasons for Its Adoption Entirely Fiscal.

The consideration given to the subject of inheritance taxation in compliance with your Excellency's request has been entirely from the standpoint of revenue. The proposed law is recommended because it provides a just and convenient means of raising revenue. The proposed rates are so low and the exemptions so large that, in the light of the experience of other countries and other states, the law will have no social effects; as a controlling or limiting factor, either in the accumulation or distribution of wealth, it will be negligible. The rates and exemptions are such that they are justified on purely financial grounds, even in the case of the highest rate applied to strangers in blood. The draft of the proposed law is herewith submitted:

It is enacted by the General Assembly as follows:

Tax on net estate—Rate, exemption.

SECTION 1. A tax shall be and is hereby imposed upon the net estate of resident decedents, and upon the net estate of non-resident decedents consisting of real property located in Rhode Island, or any interest therein, as a tax upon the right to transfer.

Such tax shall be imposed at the rate of one-half of one per centum upon the excess value of all said estates over $5,000: *Provided*, that only such proportion of said exemption of $5,000 shall be allowed estates of non-resident decedents as the value of the real property located in Rhode Island, or any interest therein, bears to the entire estate wherever located; *and provided further*, that the executor, administrator or trustee of such non-resident decedent's estate files with the Board of Tax Commissioners duly certified statements exhibiting the full and fair cash value of the entire estate. If said statements are not filed as herein provided, no exemption shall be allowed.

Net estate, how ascertained.

SEC. 2. The net estate of resident decedents for the assessment of this tax shall be ascertained by adding to the appraised value of the inventoried estate, as determined by the Board of Tax Commissioners, all gains made in reducing intangible property to possession, except shares of stock in any corporation and income accruing after death, and deducting therefrom the amount of claims paid, all funeral expenses and expenses of administration, allowance made for the support of widow and family of the decedent during the settlement of the estate, as fixed by the probate court according to law, the amount at death of all unpaid mortgages not deducted in the appraisal of property mortgaged, and losses incurred during the settlement of the estate in the reduction of intangible property to possession, except shares of stock in any corporation: *Provided*, that no such deduction shall be made for allowance for support of widow and family beyond the date upon which the tax hereby imposed becomes payable. The net estate of non-resident decedents, for the assessment of this tax, shall be ascertained by deducting from the appraised value of the real property located in Rhode Island, as determined by the Board of Tax Commissioners, such proportion of the indebtedness of the entire estate of said non-resident decedent as the value of said real property and any tangible personal property located within Rhode Island bears to the value of the entire estate: *Provided*, that only the excess of such proportion of indebtedness over and above the value of said tangible personal property shall be deducted from the appraised value of said real property; *and provided further*, that the executor, administrator, or trustee, of such non-resident decedent's estate files with the Board of Tax Commissioners duly certified statements exhibiting the full and fair cash value of the entire estate and the indebtedness for which said estate has been adjudged liable. If said statements are not filed as herein provided, only such debts and expenses as are chargeable to the said real property under the laws of this State shall be deducted.

Assessment, taxes payable, notice, certification, lien, deposit.

SEC. 3. The tax imposed by Section 1 of this act shall be assessed upon the full and fair cash value of the net estate by the Board of Tax Commissioners as hereinbefore provided and notice of the amount of said tax shall be mailed to the executor, administrator, or trustee by said board, but failure to receive said notice shall not excuse the non-payment of or invalidate said tax. The Board of Tax Commissioners shall certify the amount of such tax to the general treasurer who shall receive and collect the taxes so assessed in the same manner and with the same powers as are prescribed for and given to the collectors of taxes by Chapter 60 of the General Laws and by any acts in amendment thereof or in

addition thereto. Such tax shall be due and payable by the executor, administrator, or trustee of the estate immediately upon notification of the amount thereof, and if not paid within thirty days thereafter shall bear interest at the rate of eight per centum per annum from the date of such notification. Said tax shall be paid direct to the general treasurer of the State for the use of the State, and shall be and remain a lien upon the estate until the same shall be paid, and the executors, administrators, or trustees shall be personally liable for such tax until the same is paid. An executor, administrator, or trustee may deposit with the general treasurer a sum of money sufficient in the opinion of the Board of Tax Commissioners to pay the tax which may become due under the provisions of Section 1 of this act, and when said tax has been determined and certified as aforesaid the general treasurer shall repay to said executor, administrator, or trustee the difference between the tax certified and the amount deposited, and the lien upon the estate hereinbefore imposed shall be discharged by the acceptance of said deposit.

Debts proved after payment, appeal from assessment.

SEC. 4. Whenever debts shall be proved against the estate of a decedent after the payment of the tax imposed by Section 1 of this act the general treasurer shall upon receiving a certified copy of the records of the probate court or other court of competent jurisdiction showing the proof of said debts, refund such equitable proportion of the tax to the executor, administrator, or trustee without any further act or resolution making appropriation therefor. Any executor, administrator, or trustee may appeal from the assessment of said tax as provided in Section 27 of this act.

Tax on transfer.

SEC. 5. A tax shall be and is hereby imposed upon the transfer of any property, real, tangible, or intangible, or upon any interest therein or income therefrom, in trust or otherwise, to persons, associations, or corporations, as a tax upon the right to receive, in the following cases:

Resident.

(1) When the transfer is by will or by the intestate laws of this State of any real, tangible, or intangible property from any person dying seized and possessed thereof while a resident of the State.

Non-resident.

(2) When the transfer is by will or intestate laws of real property within the State and the decedent was a non-resident of the State at the time of his death.

In contemplation of death.

(3) When the transfer is of real, tangible, or intangible property within the State made by a resident, or of real property within the State made by a non-resident by deed, grant, bargain, sale, or gift made in contemplation of death of the grantor, vendor or donor, or intended to take effect in possession or enjoyment at or after such death. Such tax shall be imposed when any such person, association, or corporation becomes beneficially entitled, in possession or expectancy, to any property, or interest therein, or the income therefrom by any such transfer, whether made before or after the passage of this act.

By appointment.

(4) Whenever any person or corporation shall exercise a power of appointment, derived from any disposition of property made whether before or after the passage of this act, such appointment when made shall be deemed a transfer taxable under the provisions of this act in the same manner as though the property to which such appointment relates belonged absolutely to the donee of such power and had been bequeathed or devised by such donee by will; and whenever any person possessing such a power of appointment so derived shall omit or fail to exercise the same within the time provided therefor, in whole or in part, a transfer taxable under the provisions of this act shall be deemed to take place to the extent of such omission or failure, in the same manner as though the person thereby becoming entitled to the possession or enjoyment of the property to which such power related had succeeded thereto by a will of the donee of the power failing to exercise such power, and shall take effect at the time of such omission or failure.

Assessment, taxes payable, notice, certification, lien, liability.

SEC. 6. All taxes imposed by Section 5 of this act shall be assessed by the Board of Tax Commissioners upon the full and fair cash value of the property transferred at the rate hereinafter described and only upon the excess of the exemption hereinafter granted, to be paid direct to the general treasurer of the State, for the use of the State, and all executors, administrators, or trustees shall be personally liable for any and all such taxes until the same are paid. Notice of the amount of said taxes shall be mailed to the executor, administrator, or trustee, by said board, and upon request made to them to any other person by whom said taxes are payable, but failure to receive said notice shall not excuse the non-payment of or invalidate said taxes; and unless appeal is taken from such assessment, as hereinafter provided, the amount of taxes so assessed shall be final. Said board shall certify the amount of such taxes to the general treasurer who shall receive and collect the taxes so assessed in the same manner and with

the same powers as are prescribed for and given to the collectors of taxes by Chapter 60 of the General Laws, and by any acts in amendment thereof or in addition thereto. Payment of the amount so certified shall be a discharge of the tax. Said taxes shall be and remain a lien upon the property transferred, and upon all property acquired by the executor, administrator, or trustee in substitution therefor while the same remains in his hands, until the said taxes are paid or a bond given as hereinafter provided, but said lien shall not affect any tangible or intangible personal property after it has passed to a *bona fide* purchaser for value: *Provided, however*, that nothing herein contained shall give the owner of any securities specified in Section 28 of this act the right to have the same transferred to him by the corporation, association, company or trust issuing the same, until the certificate required by said Section 28 shall have been filed as therein provided. The lien charged as aforesaid upon any real estate or separate parcel thereof may be discharged by the payment of all taxes due and to become due upon said real estate or separate parcel, or by the filing and acceptance of a bond as provided in Section 11 of this act, or by an order of the Board of Tax Commissioners transferring such lien to other real estate owned by the person to whom said real estate or separate parcel thereof passes. The heir, devisee or other donee shall be personally liable for the tax on such real estate, as well as the executor, administrator, or trustee; and if the executor, administrator, or trustee pays such tax, he shall, unless the same is made an expense of administration by the will or other instrument, have the right to recover such tax from the heir, devisee or other donee of such real estate.

Classification, rates of taxation.

SEC. 7. When any property or any beneficial interest therein or income therefrom shall pass to or for the use of any grandparent, parent, husband, wife, child, brother, sister, nephew, niece, wife or widow of the son, or husband or widower of the daughter, or any child adopted in conformity with the laws of Rhode Island, or of any other state or country, or any person to whom the deceased for not less than ten years prior to death stood in the acknowledged relation of a parent, or to any lineal descendant born in lawful wedlock, the tax so imposed shall be at the rate of one-half of one per centum upon all amounts in excess of the exemption hereinafter specified and not exceeding $50,000; at the rate of one per centum upon all amounts in excess of $50,000 and not exceeding $250,000; at the rate of one and one-half per centum upon all amounts in excess of $250,000 and not exceeding $500,000; at the rate of two per centum upon all amounts in excess of $500,000 and not exceeding $750,000; at the rate of two and one-half per centum upon all amounts in excess of $750,000 and not exceeding $1,000,000; at the rate of three per centum upon all amounts in excess of $1,000,000.

SEC. 8. When any property or any beneficial interest therein or income therefrom shall pass to or for the use of any person not mentioned in Section 7 of this act, or to or for the use of any body politic or corporate, the tax so imposed shall be at the rate of five per centum upon all amounts in excess of the exemption hereinafter specified and not exceeding $50,000; at the rate of six per centum upon all amounts in excess of $50,000 and not exceeding $250,000; at the rate of seven per centum upon all amounts in excess of $250,000 and not exceeding $1,000,000; at the rate of eight per centum upon all amounts in excess of $1,000,000.

Exemptions.

SEC. 9. The following exemptions from the taxes imposed under the provisions of this act are hereby allowed:

(1) All property transferred to any corporation, association, or institution, located in Rhode Island, which is exempt from taxation by charter or under the laws of Rhode Island, or to any corporation, association, or institution, located outside of Rhode Island, which if considered as located within Rhode Island would be exempt as aforesaid, or to any person in trust for the same, or to any city or town in Rhode Island for public purposes, shall be exempt.

(2) Property of a clear value of $25,000, to be taken out of the first $50,000 transferred to each of the persons mentioned in Section 7 of this act, shall be exempt: *Provided*, that the descendants of such persons shall be allowed the exemption of the person they represent, per stirpes and not per capita.

(3) Property of a clear value of $1,000, to be taken out of the first $50,000 transferred to any person or corporation other than the persons mentioned in Section 7 of this act, shall be exempt: *Provided*, that the descendants of any such person shall be allowed the exemption of the person they represent, per stirpes and not per capita.

(4) In the case of the transfer of a non-resident decedent's real property located in Rhode Island, or of any interest therein, only such proportion of the exemptions herein specified shall be allowed as the value of the transferee's share in said real property, or any interest therein, bears to the value of said transferee's share in the entire estate of said non-resident decedent: *Provided*, that the executor, administrator, or trustee of such non-resident decedent's estate files with the Board of Tax Commissioners duly certified statements exhibiting the full and fair cash value of the entire estate. If said statements are not filed as herein provided, no exemption shall be allowed.

Taxes payable, when.

SEC. 10. All taxes imposed by Section 5 of this act, unless otherwise herein provided, shall be due and payable six months after the date of the filing of their bond by any executor, administrator or trustee first appointed, and if paid within said period a discount of four per centum shall be allowed and deducted therefrom. If such tax is not paid within nine months from the accrual thereof, interest shall be charged and collected thereon at the rate of eight per centum per annum from the time the tax accrues, unless by reason of claims made upon the estate, necessary litigation, or other unavoidable cause of delay such tax cannot be determined and paid as herein provided, in which case interest at the rate of six per centum per annum shall be charged upon such tax from the accrual thereof until the cause of such delay is removed, after which eight per centum per annum shall be charged: *Provided*, that litigation to defeat the payment of such tax shall not be considered necessary litigation.

Election to postpone payment in certain cases.

SEC. 11. Any executor, administrator, or trustee, or any person or persons beneficially interested in property chargeable with a tax under the provisions of Section 5 of this act, may elect, with the approval of the Board of Tax Commissioners, not to pay the same until the person or persons beneficially interested shall come into actual possession or enjoyment of such property; in which case such executor, administrator, or trustee, or said person or persons beneficially interested shall give bond to the general treasurer in a penal sum three times the amount of the said tax with such sureties as the general treasurer may approve, conditioned for the payment of the said tax and interest thereon at the rate of four per centum per annum at such time or period as such beneficiaries or their representatives may come into actual possession or enjoyment of said property, and also with the condition that the obligor shall notify the Board of Tax Commissioners when said time or period of actual possession or enjoyment arrives. Said bond shall be renewed every five years after the filing thereof. The acceptance of such bond by the general treasurer shall discharge all liens for the tax covered thereby upon the property of the decedent, and shall also discharge the executors, administrators, or trustees from personal liability for said tax, except under the terms of said bond.

Debts proved after distribution.

SEC. 12. Whenever debts shall be proved against the estate of a decedent after distribution of legacies from which the inheritance tax has been deducted in compliance with this act, and the legatee is required to refund any portion of the legacy, a due proportion of said tax shall be repaid to him by the executor, administrator or trustee if the said tax has not been paid into the State treasury; and if the said tax has been paid into the State treasury the general treasurer shall upon receiving a certified copy of the records of the probate court or other court of competent jurisdiction showing the proof of said debts, refund such equitable proportion of the tax to the executor, administrator, or trustee without any further act or resolution making appropriation therefor.

Life estates and remainders.

SEC. 13. When any property or interest therein or income therefrom shall pass or be limited for the life of another, or for a term of years, or to terminate on the expiration of a certain period, the property of a decedent so passing shall be appraised immediately after the death of the decedent, and the value of the said life estate, term of years, or period of limitation shall be fixed upon the combined American experience tables of mortality with interest at five per centum per annum; and the value of the remainder in said property so limited shall be ascertained by deducting the value of the said life estate, term of years, or period of limitation from the fair cash value of the property so limited; and the tax on the said estate or estates, remainder or remainders, interest or interests shall be immediately due and payable, and remain a lien upon the entire property limited until paid.

Contingent transfers.

SEC. 14. In appraising the value of any property, or interest therein, or income therefrom, to the beneficial enjoyment whereof there are persons presently entitled thereto, no allowance shall be made in respect of any contingency upon the happening of which the property, or interest therein, or income therefrom might be abridged, defeated or diminished: *Provided, however*, that in the event of such contingency taking effect as an actual burden upon the interest of the beneficiary, either in abridging, defeating, or diminishing the property, or interest therein, or income therefrom as aforesaid, a return shall be made to the person properly entitled thereto of a proportionate amount of the tax theretofore paid upon said property, in respect of the amount or value of the contingency when taking effect, or so much as will reduce the same to the amount which would have been assessed in respect of the actual duration or extent of the interest enjoyed. Such refund shall be made by the general treasurer, upon notification by the Board of Tax Commissioners of the correct amount thereof, without any further act or resolution making appropriation therefor. The foregoing provisions shall not apply to an estate for life or for years which can be abridged, defeated or diminished by the act or omission of the legatee or devisee; such estates shall be taxed as if there were no possibility of such abridging, defeating or diminishing.

SEC. 15. When property is transferred or limited, in trust or otherwise, and the rights, interests, or estates of the transferees or beneficiaries are dependent upon contingencies or conditions whereby they may be wholly or in part created, defeated, extended or abridged, a tax shall be imposed upon such transfer at the lowest rate which on the happening of any said contingencies or conditions would be possible under the provisions of this act, and such tax so imposed shall be due and payable forthwith by the executors or trustees out of the property transferred: *Provided, however*, that on the happening of any contingency or condition whereby said property or any part thereof is transferred to a person who, under the provisions of this act, is required to pay a tax at a higher rate than the tax imposed, then such transferee shall pay the difference between the tax imposed and the tax at the higher rate, and the amount of such increased tax shall be enforced and collected as provided in this act.

SEC. 16. Estates in expectancy which are contingent or defeasible and in which proceedings for determination of the tax have not been taken or where the taxation thereof has been held in abeyance shall be appraised at their full and fair cash value when the persons entitled thereto shall come into beneficial enjoyment or possession thereof, without diminution for or on account of any valuation heretofore made of the particular estate for the purpose of taxation upon which said estate in expectancy may be limited.

Bequests to executors.

SEC. 17. Whenever a decedent appoints one or more executors or trustees and in lieu of their allowances or commissions makes a bequest or devise of property to them which would otherwise be liable to a tax under this act, or appoints them his residuary legatees, and said bequests, devises or residuary legacies exceed what would be a reasonable compensation for their services, as determined by law, such excess shall be taxable under the provisions of this act.

Deduction and retention of tax in certain cases.

SEC. 18. Unless the will or other instrument under which any gift or transfer is made shall direct the taxes imposed by Section 5 of this act to be paid from the residue or as an expense of administration, and the residue is sufficient to pay such taxes, the following provisions shall apply. Any executor, administrator, or trustee having in charge or in trust any legacy or property for distribution subject to tax under Section 5 of this act shall deduct the tax therefrom. If such legacy or property be not in money, he shall collect the tax thereon upon the appraised value thereof from the person entitled thereto. He shall not deliver or be compelled to deliver any specific legacy or property subject to tax under

Section 5 of this act to any person until he shall have collected the tax thereon. If any such legacy shall be payable out of real property the heir or devisee shall deduct such tax therefrom and pay the same to the executor, administrator or trustee and the tax shall remain a lien or charge on such real estate until said tax is paid, and the payment thereof shall be enforced by the executor, administrator or trustee in the same manner that payment of the legacy might be enforced. If any such legacy shall be given in money to any person for a limited period the executor, administrator or trustee shall retain the tax upon the whole amount, but if not in money he shall make application to the Board of Tax Commissioners to make an apportionment, if the case require it, of the sum to be paid into his hand by such legatees, and for such further order relative thereto as the case may require. Legatees, distributees, or other donees shall be personally liable for the taxes imposed by Section 5 of this act until the same are paid over by them to the executor, administrator, or trustee; *Provided, however*, that if the will or other instrument directs the payment of such taxes from the residue or as an expense of administration, the said liability shall continue until the said taxes are received by the general treasurer or bond is filed as provided in Section 11 of this act.

Transfers of non-resident decedents.

SEC. 19. In the case of real property located in Rhode Island, belonging to the estate of a non-resident decedent, the tax shall be assessed upon the full and fair cash value of said property, as determined by the Board of Tax Commissioners, remaining after deducting such proportion of the indebtedness of the entire estate of said non-resident decedent as the value of said real property and any tangible personal property located within Rhode Island bears to the value of the entire estate: *Provided*, that only the excess of such proportion of indebtedness over and above the value of said tangible personal property shall be deducted from the appraised value of said real property; *and provided further*, that the executor, administrator or trustee of such non-resident decedent's estate files with the Board of Tax Commissioners duly certified statements exhibiting the full and fair cash value of the entire estate and the indebtedness for which said estate has been adjudged liable. If said statements are not filed as herein provided, only such debts and expenses as are chargeable to the said real property under the laws of this State shall be deducted.

Settlement of tax by agreement.

SEC. 20. The Board of Tax Commissioners, with the approval of the attorney-general, may effect such settlement of the amount of any taxes imposed by this act as they shall deem to be for the best interests of the State, and the payment of

the amount so agreed upon shall be a full satisfaction of such tax. The agreement of the executor, administrator, or trustee to such settlement shall be binding upon all persons taking property subject to said taxes, except for fraud, or the manifest error of such executor, administrator, or trustee: *Provided, however*, that settlement as to any tax upon gifts or transfers of real estate where no conveyance is made by such executor, administrator, or trustee, shall be effected with the person or persons receiving the real estate, or interest therein, which is subject to said tax.

Suspension of tax, when.

SEC. 21. Whenever it shall be necessary in the settlement of any estate to retain property or funds for the purpose of paying the claim of any creditor, the amount or validity of which is contested and is not determined, the payment of the whole or a proportionate part of the tax may be suspended, by and with the approval of the Board of Tax Commissioners, to await the disposition of such claim.

Time of appraisal.

SEC. 22. Every net estate, inheritance, devise, bequest, legacy or gift upon which a tax is imposed under this act shall be appraised at its full and fair cash value immediately upon the death of the decedent, or as soon thereafter as may be practicable: *Provided, however*, that when such inheritance, devise, bequest, legacy, or gift shall be of such a nature that its full and fair cash value cannot be ascertained at such time, it shall be appraised in like manner at the time when such value becomes ascertainable.

Power of executor to sell.

SEC. 23. Every executor, administrator or trustee shall have full power to sell, upon application to the probate court, so much of the property of the decedent as will enable him to pay any tax imposed by this act in the same manner as he might be entitled by law to do for the payment of the debts of the testator or intestate.

Inventory and appraisal filed with Board of Tax Commissioners.

SEC. 24. An inventory and appraisal under oath of the property, real, tangible and intangible, of every decedent shall be filed with the Board of Tax Commissioners by the executor, administrator or trustee within three months after his appointment. If he neglects or refuses to file such inventory and appraisal, he shall be liable to a penalty of not more than $1,000, which shall be recovered by the Board of Tax Commissioners for the use of the State upon petition to the Superior

Court, and shall also be subject to removal as such executor, administrator or trustee by the probate court or other court of competent jurisdiction on motion made in such court by said Board of Tax Commissioners.

Information furnished Board of Tax Commissioners by probate clerk.

SEC. 25. Every probate clerk shall, within thirty days after the granting of letters testamentary or letters of administration upon any estate, notify the Board of Tax Commissioners of the name of the decedent, the name and address of the executor, administrator or trustee appointed, the amount of the bond required by the court, a certified copy of the will and testament of the decedent, a certified copy of the petition for administration of every estate, and any other information which he may have concerning the estate of such decedent; and shall also furnish forthwith such further information from the records and files of his office as the Board of Tax Commissioners may from time to time require.

Powers of Board of Tax Commissioners—reappraisal.

SEC. 26. If such inventory and appraisal filed in accordance with the provisions of Section 21 of this act be considered by the Board of Tax Commissioners to be an insufficient or incomplete statement of the property, real, tangible and intangible, of the decedent, the said Board of Tax Commissioners shall within thirty days after the filing of said inventory and appraisal give notice to the executor, administrator or trustee to appear before them for the purpose of examination of and concerning such inventory and appraisal, and of and concerning all matters appertaining to the estate and the value thereof of such decedent; and if the executor, administrator or trustee fails to appear before said board after due notice, or if after appearance and examination of such executor, administrator or trustee said board still considers such inventory and appraisal to be an insufficient and incomplete statement, or if such executor, administrator, or trustee refuses or neglects to answer the questions propounded by said board in reference to such inventory and appraisal of such estate, the said Board of Tax Commissioners may appraise or appoint a person or persons to act as appraiser or appraisers. Such appraiser, being first sworn, or said board, shall forthwith give notice by mail to the executor, administrator or trustee and to all persons known to have a claim or interest in the property to be appraised, of the time and place of the appraisal of such property, and shall at such time and place appraise the same at its full and fair cash value as herein prescribed; and for that purpose said board or said appraiser is authorized to issue subpœnas and to compel the attendance of witnesses and to take the evidence of such witnesses, under oath if necessary, concerning such property and the value thereof, such witnesses to receive the same fees as those now paid to witnesses subpœnæd to attend the Superior Court.

Such appraiser shall make report thereof and of such value in writing, together with a deposition of witnesses examined, if any such examination is reduced to writing, to said Board of Tax Commissioners and such other facts in relation thereto and to said matter as said board may order or require. Such appraiser shall receive from said board a reasonable compensation for services and actual and necessary traveling expenses, payment thereof to be made out of the money appropriated for the expenses of the Board of Tax Commissioners. From such report of appraisal and other proof relating to such estate before said Board of Tax Commissioners, said board shall determine the value of the property upon which all taxes imposed by this act are computed and the amount of taxes to which the same is liable; and if no appraiser be appointed by said board as hereinbefore provided the said board shall determine the value of the property upon which all said taxes are computed and the amount of taxes to which the same is liable.

Appeal from assessment.

SEC. 27. An executor, administrator, trustee, legatee or other person aggrieved by the determination of the Board of Tax Commissioners may, within three months after the payment of any tax to the general treasurer, and provided such tax has been paid under protest, apply to the Superior Court in and for the county of Providence by a petition in equity against the Board of Tax Commissioners for the abatement of said tax or any part thereof; and if the said court adjudge that said tax or any part thereof was illegally assessed, it shall order an abatement of such tax or such portion thereof as was assessed without authority of law, and such order shall be subject to appeal in the same manner as other equity causes. Upon a final decision ordering an abatement of said tax or any portion thereof the general treasurer shall pay the amount adjudged to have been illegally assessed, with interest at the rate of six per centum per annum, without any further act or resolution making any appropriation therefor.

Transfers of securities—liability.

SEC. 28. No banking association organized under the laws of the United States and located within this State, no corporation incorporated within this State, and no unincorporated association or joint stock company or business trust, having certificates representing shares of stock and carrying on business in this State, shall record a transfer of its stock made by any executor, administrator, or trustee, or issue a new certificate for any such share of its stock at the instance of any executor, administrator, or trustee, or transfer any registered bond or other registered evidence of indebtedness at the instance of any executor, administrator,

or trustee, until a certificate authorizing such transfer has been issued by the Board of Tax Commissioners, and filed with the said corporation, association, company or trust. Any such corporation, association, company or trust making such a transfer without first obtaining the consent of the Board of Tax Commissioners shall be liable for the amount of any tax which may be assessed on account of the bequest or gift of such stock, bond or other evidence of indebtedness, together with the interest thereon, in an action to be brought in the name of the general treasurer. The Board of Tax Commissioners shall not issue such a certificate until all taxes imposed on account of such bequest or gift has been paid, or the payment thereof secured by bond or deposit as hereinafter provided.

Trust agreements not in contemplation of death.

SEC. 29. Whenever any person, during his life, shall appoint a trustee, naming himself or others as beneficiaries, and providing for the administration of said trust after his death, or providing for a termination of said trust and a distribution thereof at his death, a transfer taxable under the provisions of this act shall be deemed to take place upon the death of the creator of said trust, and all persons or corporations acting as such trustee or trustees shall upon said death file with the Board of Tax Commissioners a full account, showing the trust agreement, if any, the amount of the trust property, the extent of the duration of said trust, the manner provided for its termination, the name or names of the beneficiaries, and any other information relating thereto which said Board of Tax Commissioners may deem necessary for the proper assessment of the tax thereon; and any such trustee or trustees neglecting or refusing to file such account shall be liable to a penalty of $1,000, which shall be recovered by the Board of Tax Commissioners for the use of the State upon petition to the Superior Court.

Claims of creditors taxed in certain cases.

SEC. 30. The amount due upon the claim of any creditor against the estate of a decedent arising under a contract made after the passage of this act, if payable by the terms of such contract at or after the death of the deceased, shall be subject to the same tax imposed by Section 5 of this act upon a legacy of like amount. The value of net estates of decedents or the value of legacies or distributive shares in the estates of decedents, for the purposes of taxation under the provisions of Section 1 and Section 5 of this act, shall not be diminished by reason of any claim against the estate based upon such a contract, except in so far as it may be shown affirmatively by competent evidence that such claim was legally due and payable in the life time of the decedent.

Final account allowed, when.

SEC. 31. No final account of any executor, administrator, or trustee shall be allowed by the court having jurisdiction thereof unless such account shows, and the judge of the court finds, that all taxes imposed under the provisions of this act upon any property or interest therein belonging to the estate to be settled by said account and then payable have been paid or that the payment of said taxes have been secured by bond or deposit as hereinbefore provided. The certificate of the Board of Tax Commissioners of the amount of said tax, and the receipt of the general treasurer for the amount of tax so certified, shall be conclusive as to the payment of the tax to the extent of said certification.

Transfers taxed at highest rate, when.

SEC. 32. Whenever any executor, administrator, trustee or other person liable for any tax imposed under the provisions of this act, refuses or neglects to furnish the Board of Tax Commissioners with any information which in the opinion of said Board is necessary for the proper computation of the taxes payable hereunder, after having been requested so to do, said Board of Tax Commissioners shall certify such taxes at the highest rate at which they could in any event be computed.

Intestate estates.

SEC. 33. If upon the decease of a person leaving an estate liable to a tax under the provisions of this act, a will disposing of such estate is not offered for probate or an application for administration is not made within three months after such decease, the probate court upon application by the Board of Tax Commissioners shall appoint an administrator thereof.

Double application of certain sections.

SEC. 34. Sections 21, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32 and 33 shall apply to taxes imposed under the provisions of both Section 1 and Section 5 of this act.

SEC. 34. This act shall take effect April 1, 1916.

Franchise and Minimum Tax on Domestic Corporations.

In changing the laws regulating taxation, where an increase in revenue is the object, due consideration should be given to the equitable distribution of the new burden, and great care should be exercised lest existing inequalities be retained or increased.

Property or privilege which has not contributed at all, or has not contributed its share to the public funds, should first be required to contribute on a parity with that taxed before additional burdens are placed on that already paying its full share. In this connection your attention is respectfully directed to pages 16 to 18 and 24 to 29 inclusive of the report of this Board made to your Excellency on January 15, 1915.

The condition precedent to liability to the corporate excess tax is the transaction of business for profit within the state, and many domestic corporations are therefore not liable to the tax. It appears to the Board that it is entirely proper that such corporations should not be liable to this tax, but it also appears that all domestic corporations not liable to, or not paying a corresponding amount under, the present corporation tax, should pay a moderate franchise or minimum tax for the privileges enjoyed under our laws. The imposition of such a tax is therefore recommended because while increasing the revenues somewhat it will also tend to equalize the taxes imposed on corporations by the State. The draft of a law designed to accomplish this result is submitted herewith:

It is enacted by the General Assembly as follows:

SECTION 1. Chapter 769 of the Public Laws, passed at the January Session, A. D. 1912, referred to as the "Tax Act of 1912," is hereby amended by adding the following section:

"SEC. 49. Every corporation, joint stock company or association incorporated in this State, all hereinafter referred to in this section under the term 'corporation' which pays no tax to the State or a tax less than two and fifty one-hundredths dollars on each ten thousand dollars or fractional part thereof of its authorized capital, except religious, charitable and literary corporations, and except corporations the property of which is operated in this State by any corporation paying a tax upon gross earnings as provided in Section 25 of this act, shall pay an annual franchise tax to the State upon its authorized capital stock which when added to any tax paid by it in the same year to the State on its corporate excess shall equal two and fifty one-hundredths dollars for each ten thousand dollars or fractional part thereof of such authorized capital: *Provided, however*, that such tax shall not be assessed against any such corporation in the year in which such corporation is incorporated.

"Every such corporation which transacts no business for profit in this State shall, on or before the first day of March in each year, return as of the thirty-first day of December next preceding to the Board of Tax Commissioners, under oath of its treasurer, or of a duly authorized agent or officer of such corporation, if organized, and if not organized, under oath of someone authorized to act by the incorporators:

"(1) The name of the corporation and the location of its principal office.

"(2) The amount of its capital authorized, and the amount outstanding, the par value of its capital stock, and if there are different classes of stock, the amount authorized and the amount outstanding of each class.

"The Board of Tax Commissioners, on the first business day of June in each year, shall make up a list of all corporations subject to a tax upon their franchises as aforesaid, and shall assess a tax upon each such corporation at such rate as will when added to any tax which such corporation pays or is liable to pay to the State in the same year equal two and fifty one-hundredths dollars for each ten thousand dollars or fractional part thereof of its authorized capital. And the said board shall enter the amount of the tax assessed against each such corporation, and shall certify to the correctness of such list and deliver a duly attested copy thereof as a public record to the general treasurer, who shall receive and collect the taxes so assessed, in the same manner and with the same powers as are provided in sub-section (5) of Section 11 of this act. Said board shall also forthwith mail a notice of the amount of its tax to each such corporation, but failure to receive said notice shall not excuse the non-payment of the tax.

"The tax assessed as aforesaid shall be payable on the first day of July next after its assessment as aforesaid, and if not paid by the fifteenth day of such July, shall bear interest from the first day of such July at the rate of eight per centum per annum until paid. The general treasurer shall, on the fifteenth day of July in each year, make a list of all corporations delinquent in the payment of their taxes due and payable on the first of July of each year or years preceding under this section, and shall certify to the correctness of such list, and deliver the same forthwith to the Board of Tax Commissioners.

"Failure by any such corporation to make the returns or to pay the franchise tax provided in this section for a period of three years after the first day of July of the year in which any such payment was due and payable, shall constitute a ground for the forfeiture by such corporation of its charter at law. In case of the failure on the part of any such corporation to make the return or the payments as aforesaid within the time specified in this section, the Board of Tax Commissioners shall, on or before the first day of October in each year, report such failure to the attorney-general, together with the name or names of every such delinquent corporation, and the attorney-general shall forthwith file his petition in the superior court for the county in which such corporation is located, praying for the dissolution of such corporation, and the superior court may in the manner prescribed in Section 27 to Section 30 inclusive of Chapter 213 of the General Laws, and amendments thereof, decree such dissolution and have and exercise the powers and jurisdiction conferred upon it in and by said sections of Chapter 213 and amendments thereof."

SEC. 2. This act shall take effect upon its passage, and all acts and parts of acts inconsistent herewith are hereby repealed.

Savings Deposits in National Banks.

Our present statute (Gen. Laws, Chap. 39, Sec. 3-4) requires the payment of a tax of $4 per $1,000 on savings and participation accounts in state banks and trust companies, a similar tax is imposed upon the savings accounts and profits of savings banks, the individual depositors are exempt from taxation on these accounts and the tax is paid by the banks direct to the General Treasurer. Similar accounts in national banks are not taxed by the state, but the depositors are liable to local taxation thereon. While these deposits are legally taxable in the local jurisdiction in which their owner resides, the practical operation of this provision of our tax law results in the escape from taxation of substantially the entire amount of these deposits. Aside from any necessity for revenue these deposits should be, in the interest of justice, subjected to the same tax and as positive methods of collection as are applied to similar deposits in other banks.

Savings deposits in national banks are successfully taxed in Vermont and Connecticut. This method of taxing savings deposits in national banks originating in Vermont has been sustained by the courts of that state and by the United States Supreme Court. The Connecticut law, modeled after that of Vermont and passed at the last session of the legislature, has been accepted by the national banks of that state without exception.

The amount of savings deposits in the national banks of this state is substantial and at the rate applied to similar deposits in other banks should yield a revenue of several thousand dollars.

The Board recommends the taxation of savings and participation accounts in national banks as a necessary step towards the equalization of the tax on a class of property which furnishes approximately one-fifth of the present state revenue. The draft of a law designed to accomplish this result is submitted herewith:

It is enacted by the General Assembly as follows:

SECTION 1. Every resident of this State having, on the last business day of June, an interest bearing deposit in a national bank in this State shall, within twenty days thereafter, except as otherwise provided in this act, annually report in writing and under oath the amount thereof and the name and location of such bank to the Board of Tax Commissioners on blanks to be prepared and furnished by said Board to such depositor upon application therefor.

SEC. 2. Such reports shall be kept on file by said Board of Tax Commissioners for three years from and after the dates on which the taxes based thereon become due and payable to the State. Such reports shall not be subject to the inspection of any person other than the members of the said Board of Tax Commissioners and the employees in their office and the attorney-general. Any information contained in such reports shall not be disclosed by any person authorized to examine the same, except by the direction of a court of competent jurisdiction.

SEC. 3. Every person so having a deposit in a national bank as aforesaid shall annually, except as otherwise provided in this act, pay a tax to the State which is hereby assessed at the rate of four-tenths of one per cent. annually upon the amount of such deposit so held by such national bank on the last business day of June; and no deduction therefrom shall be made on account of any exemption. Notice of the amount of said tax and the amount of the deposit on which said tax is based shall be mailed to each depositor liable to such tax, except as otherwise provided in this act, by the Board of Tax Commissioners on the first business day of September, and failure to receive such notice shall not excuse such depositor from the payment of the tax. Said Board shall also forthwith certify the amount of said tax assessed against each depositor and the amount of the deposit on which said tax is based to the General Treasurer. The taxes imposed by this section shall be paid to the General Treasurer annually for the use of the State on or before the first day of October next following the dates

whereon the reports provided for in the first section of this act are required to be made.

SEC. 4. No other tax shall be assessed on such deposits in national banks or against the depositors on account thereof.

SEC. 5. A depositor who willfully fails to make returns or to pay the taxes provided in this act shall forfeit five per cent. of such deposit to the use of the State for each month's delay in filing such return or in paying such tax. Such tax and forfeitures may be recovered in an action on this statute commenced by the General Treasurer in the name of the State in the Superior Court holden in the County of Providence.

SEC. 6. A person having any of the money, chattels, effects, goods, rights or credits of said depositor in his possession may be summoned as trustee in any action instituted under the preceding section.

SEC. 7. If the Board of Tax Commissioners or the court wherein such action is pending for the recovery of such tax or forfeitures becomes satisfied that such failure was not willful on the part of the depositor, said Board of Tax Commissioners or said court may, in its discretion, waive any part or all of such penalty.

SEC. 8. If a national bank in this State so elects, it may pay to the State all taxes provided in this act; and it shall be lawful for such bank to deduct such taxes so paid from the interest or deposits then or thereafter held by it belonging to the person from whom such tax becomes due.

SEC. 9. If a national bank makes the election provided in the preceding section, it shall file with the Board of Tax Commissioners a stipulation setting forth such fact. If such stipulation is filed on or before the last business day of June in any year, it shall take effect on said last named date and shall remain in full force and effect until it shall thereafter be revoked as hereinafter provided. No depositor in such bank shall be required to pay the tax or make the returns hereinbefore specified, covering any annual period for which such stipulation shall remain in force. A national bank filing such stipulation may thereafter revoke it by returning to the Board of Tax Commissioners for cancellation the duplicate certificates issued by said board to said bank under Section 10 of this act, the revocation to take effect on the last day of the annual period within which such certificates are returned for cancellation as aforesaid. When such certificates are cancelled as aforesaid, said bank shall not thereafter be liable to make the payments provided in said stipulation except for the annual period in which such cancellation is made.

SEC. 10. Upon such stipulation being filed, said Board of Tax Commissioners shall issue in duplicate to the bank filing the same a certificate showing that it has filed the aforesaid stipulation.

SEC. 11. Every national bank filing such stipulation shall thereupon become liable to the State to make returns and pay four-tenths of one per cent. of the average amount of such deposits held by such bank during each twelve months' period beginning with the last business day of June in which such stipulation remains in force.

SEC. 12. If such bank files a stipulation as hereinbefore provided it shall, on or before the fifteenth day of July, file with the General Treasurer and the Board of Tax Commissioners a return verified by the oath of its president, cashier or one of its directors, showing the average amount of such deposits for the twelve months ending on the last business day of the preceding June, and shall for each annual period pay to the General Treasurer, on or before the first Monday in August in each year, four-tenths of one per cent. of such average amount. The General Treasurer shall receive and collect the taxes assessed hereunder.

SEC. 13. Whenever in the opinion of said Board of Tax Commissioners it shall be for the best interests of the State so to do, they may publish a notice in such newspaper or newspapers as they shall designate, setting forth that the bank or banks therein named have filed or failed to file a stipulation, or have elected to revoke one already filed; and may in like manner notify all depositors having interest bearing deposits therein taxable under this act to file the proper returns as provided in the first section of this act and pay the tax assessed against such depositors in case such bank or banks shall fail to file a stipulation or elect to revoke one already filed; or that such depositors are absolved from making such returns and paying such tax in case the bank shall file a stipulation or elect to continue one theretofore filed.

SEC. 14. The provisions of this act shall apply to every person having an interest bearing deposit in a national bank in this State on participation or in the same manner as in savings banks.

SEC. 15. The provisions of this act shall not apply to any property in this State exempt by law from local taxation; nor to savings banks, trust companies, and savings banks and trust companies which have interest bearing deposits in national banks; nor to interest bearing deposits of national banks in another national bank.

SEC. 16. Nothing in this act shall be construed as exempting from taxation any deposit in any national bank, except as hereinbefore provided.

SEC. 17. This act shall take effect from and after its passage.

The Direct State Tax.

The direct state tax furnishes a necessary element of elasticity in our revenue system. It presents a means ready at hand for increasing or decreasing the state revenue positively and quickly with results easily determinable within narrow limits. It also possesses the further advantage, which should not be overlooked, of operating as a restraining influence upon expenditures. Each municipality will have to bear some part of the burden, if it is found necessary to increase the rate, and each would likewise be relieved if any reduction was made.

Under present conditions an increase or decrease of one cent in the present state tax rate on each $100 of locally assessed valuation would increase or decrease the amount paid to the state by the several cities and towns by approximately $70,000. An increase of three cents in the rate would thus increase the state revenue approximately $210,000 and this increase, unless local rates were abnormally high, would not cause undue hardship. The difficulty is that this increase in rate, if made, would not be equitably applied or even approximately so.

The law requiring the assessment of all property for taxation at its full and fair cash value is specific and clear. It is a well recognized fact, however, that various bases of valuation, as well as different percentages of the full value, are employed by the several municipalities in the valuation of their property for taxation. The departures from a strict application of the principle of full valuation for purposes of assessment are all towards a valuation less than 100 per cent., and as a result of these irregular practices we have valuations in some localities as low as 35 or 40 per cent. of full value and in others as high as approximately 100 per cent.

The practical difficulty in obtaining a just distribution of the tax burden even in local assessment where anything but the full value is used as a base, is well known, and the practice of compensating for a low valuation by a high rate is generally condemned. Furthermore, undervaluations are much more inimical to justice with regard to municipalities and the state than between taxpayers

in the same jurisdiction. Inequalities in valuations of property within the same municipality may be corrected by various means; there is at least some remedy; appeal may be had to the assessing authorities, and if that fail, recourse may be had to the courts. The state however has no remedy whatever at present for the loss of revenue thus sustained or for the shifting of the burden of the state tax. As the municipalities attempting to comply with the law relative to the assessment of property have no remedy for the inequality of burden imposed by such compliance, they are impelled to equal or outdo, if possible, the others in undervaluation. An increase in the direct state tax rate would exaggerate the bad effects of these inequalities, and would also tend to increase the injustice, as the higher the rate the greater the advantage to be gained by undervaluation.

The injustice due to the present method, or rather lack of method, is so manifest that the necessity for some form of equalization of local valuations, at least for the purpose of state taxation, is apparent. If it is intended to increase the direct state tax rate, equalization seems almost imperative.

The beneficial effects of equalizing the valuations of the several municipalities for purposes of state taxation would of necessity be gradual. An increase in the total valuation of the state would probably be immediately apparent, but the full effect would not be attained until such time as a large amount of data could be collected and prepared for practical use. To make a systematic equalization of local valuations for the whole state within a year, or even two years, would be an undertaking of such magnitude that the expense and the unsettling of local conditions involved would probably outweigh the immediate benefits. A gradual readjustment of local valuations upon a uniform basis could be consummated without great expense or undue disturbance of local conditions, and would result in a more just distribution of the burden of state taxation, and an increase in revenue from that source which ultimately would be substantial.

Proposed Method for Preparing and Tabulating Fiscal Information for Use of Legislature.

In compliance with the suggestion contained in the last paragraph of your Excellency's communication of September 29th, 1915, the Board has compiled and tabulated in detail the expenditures of the several departments for the years 1913, 1914 and 1915; the total revenue received by the State for the same period; the estimated expenditures for 1916; and the estimated receipts and the several sources from which the receipts are expected to be derived for 1916.

The tables are arranged with the idea of facilitating comparison between actual departmental expenditures, both in total and in detail; the estimated expenditures for 1916 have been classified in the same manner as the expenditures for the three preceding years, thus showing not only increases and decreases in totals, but also the items to which the increases or decreases are properly attributable.

Certain data required for the completion of the tables is not available until January 10th; therefore the tables cannot be submitted to your Excellency until such time after that date as is required for tabulation and printing.

The form of the tables and the system of classification used are such that this method of providing information regarding receipts and disbursements early in the session of the General Assembly may be very easily carried out in succeeding years, if it is deemed advisable. The Board has endeavored to collect and tabulate in convenient form for reference and comparison, for use early in January, material which is usually not available until late in the session, if at all. It is hoped that the members of the legislature may be saved much time and annoyance, as well as labor, and the work of the finance committees of the two houses facilitated by the use of this material.

Appreciation.

The Board of Tax Commissioners gratefully acknowledges the valuable assistance rendered by state tax officials generally in the preparation of the proposed inheritance tax law, and in the compila-

tion of the accompanying tables showing the classifications of heirs, rates and exemptions under the laws of the several states. The Board also desires to give full credit to the reports of inheritance tax authorities of other states, works on taxation, and other publications from which quotations have been borrowed, all of which have been of great assistance.

The Board also wishes to express thanks for many valuable suggestions offered by practicing attorneys and economists both within and without the State. While it is impracticable to designate by name and thank individually every one who has given generously of his time and experience, the Board feels that its thanks are especially due to Professor Charles J. Bullock of Harvard University, Professor Edwin R. A. Seligman of Columbia University, and Professor Henry B. Gardner of Brown University for many excellent suggestions and much material aid.

The following tables are intended to supply a brief resume of the inheritance tax laws of the several states and territories of the United States, showing classes, rates and the amount of exemptions.

Exemptions are classed as conditional and unconditional. Where an amount is allowed as a specific exemption, in any and all events it is designated "unconditional," to distinguish from those cases in which the shares of a decedent's estate are not taxed, provided the same are less than or do not exceed an amount certain—that is, where the exemption is conditional.

Where the words "rate is on excess" are found in a note following the table of any state or territory, the rate per centum given in any respective division applies to the higher or intermediate amounts and not to the lower. The preceding rate, if any, applies to the lower amount.

INHERITANCE TAXES.

[States asterisked (*) exempt transfers to be used for one or more of the following or kindred purposes: Charitable, benevolent, religious, educational, literary, scientific, state, county municipal.]

ALABAMA.

Classes.	Rates and Exemptions.
Had collateral inheritance tax on personal property only from 1848–1868.	Constitution adopted 1901 allows for collateral to 2½%, but has never been made effective by statute.

ARIZONA.

Grandfather, grandmother, father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child	1% on excess of $5,000. Transfers less than $10,000, not taxed.				
Uncle, aunt, niece, nephew or lineal descendant of same	2% on excess of $2,000. Transfers less than $5,000, not taxed.				
All others	Transfers less than $500, no tax.	$10,000 or less, 3%.	$10,000 to $20,000, 4%.	$20,000 to $50,000, 5%.	Over $50,000, 6%.

Rate is on excess. Exemption applies to individual shares. Exemption in 3rd class applies only when shares are less than $500.

ARKANSAS. *

Father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child	$3,000 to widow or minor child, $1,000 to others, no tax.	$5,000 or less, 1%.	$5,000 to $10,000, 2%.	$10,000 to $30,000, 3%.	$30,000 to $50,000, 4%.	$50,000 to $100,000, 5%.	$100,000 to $500,000, 6%.	$500,000 to $1,000,000, 7%.	Over $1,000,000, 8%.
All others	$500, no tax.	3%	6%	9%	12%	15%	18%	21%	24%

Rate is on excess. Exemption applies to individual shares. Exemption applies only when payment of tax would reduce amount of transfer below exemption.

CALIFORNIA. *

Classes.	Rates and Exemptions							
Husband, wife, lineal issue, lineal ancestor of decedent, adopted or acknowledged child, lineal issue of either	$24,000 to wife or minor child, $10,000 to others, no tax.	$25,000 or less, 1%.	$25,000 to $50,000, 2%.	$50,000 to $100,000, 4%.	$100,000 to $200,000, 7%.	$200,000 to $500,000, 10%.	$500,000 to $1,000,000, 12%.	Over $1,000,000, 15%.
Brother, sister, descendant of same, son-in-law or daughter-in-law	$2,000, no tax.	3%	6%	9 %	12 %	15%	20%	25%
Aunt, uncle, descendant of same	$1,000, no tax.	4%	8%	10%	15%	20%	25%	30%
All others	$500, no tax.	5%	10%	15%	20%	25%	30%	30%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

COLORADO. *

Father, mother, husband, wife, child, brother, sister, daughter-in-law or son-in-law, adopted or acknowledged relation of child, lineal descendant	$10,000 no tax. If transfer does not vest in perpetuity exemption not allowed.	$100,000 or less, 2%	$100,000 to $200,000, 3%	Over $200,000, 4 %		
Uncle, aunt, niece, nephew, or lineal descendant of same	Transfers of $500 or less, no tax.	$20,000 or less, 3%	$20,000 to $50,000, 4%	$50,000 to $100,000, 5%	Over $100,000, 6%	
All others	Transfers of $500 or less, no tax.	$10,000 or less, 4%	$10,000 to $20,000, 5%	$20,000 to $50,000, 6%	$50,000 to $100,000 8%	Over $100,000, 10%

Rate on whole amount of transfer. Exemption applies to individual shares. Exemption in nd and 3rd classes applies only when shares do not exceed $500.

CONNECTICUT. *

Parent, grand-parent, husband, wife, lineal descendant, adopted child, lineal descendant of same, adoptive parent.	$10,000, no tax.	$50,000 or less, 1%	$50,000 to $250,000, 2%	$250,000, to $1,000,000, 3%	Over $1,000,000, 4%	
Son-in-law or daughter-in-law, step- child, brother or sister, full or half blood, descendant of brother or sister	$3,000, no tax.	$25,000 or less, 3%	$25,000 to $50,000, 5%	$50,000 to $250,000, 6%	$250,000 to $1,000,000, 7%	Over $1,000,000, 8%
All others	$500, no tax.	$50,000 or less, 5%	$50,000 to $250,000, 6%	$250,000 to $1,000,000, 7%	Over $1,000,000, 8%	

Rate on whole amount of transfer. Tax on net estate. Exemption applies to each class as whole, therefore $13,500 is the greatest total exemption allowed.

DELAWARE.*

Classes.	Rates and Exemptions.	
Father, mother, grandfather, grandmother, wife, husband, child, adopted child, lineal descendant of decedent....	Not taxed.	
Brother, sister, of whole or half blood, or descendant of same.....	$500, no tax.	Over $500, 1%
Aunt, uncle, or descendant of same.....	$500, no tax.	2%
Great aunt, great uncle, or descendant of same.....	$500, no tax.	3%
All others.....	$500, no tax.	5%

Tax on collaterals only. Exemption applies to individual shares. Exemption unconditional.

FLORIDA.

None.	Passage of act by legislature attempted in 1915.

GEORGIA.*

Father, mother, husband, wife, child, brother, sister, daughter-in-law, adopted child, lineal descendant of decedent.....	$5,000, no tax.	1% on excess.
All others.....	$5,000, no tax.	5% on excess.

Exemption applies to individual shares. Exemption unconditional.

IDAHO.*

	$10,000 to widow or minor child, $4,000 to others, no tax.	$25,000 or less, 1%.	$25,000 to $50,000, 1½%.	$50,000 to $100,000, 2%.	$100,000 to $500,000, 2½%.	Over $500,000, 3%.
Husband, wife, lineal issue, lineal ancestor of decedent, adopted or acknowledged child, lineal issue of same...						
Brother, sister, or descendant of same, son-in-law, or daughter-in-law.....	$2,000, no tax.	1¼%	2¼%	3%	3¾%	4½%
Aunt, uncle, or descendant of same.....	$1,500, no tax.	3%	4½%	6%	7½%	9%
Great aunt, great uncle, or descendant of same.....	$1,000, no tax.	4%	6%	8%	10%	12%
All others.....	$500, no tax.	5%	7½%	10%	12½%	15%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

ILLINOIS.*

Classes.	Rates and Exemptions.					
Father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child, lineal descendant of decedent.....	$20,000, no tax.	$100,000 or less, 1%.	Over $100,000, 2% not upon excess.			
Uncle, aunt, niece, nephew, or lineal descendant of same...	$2,000, no tax.	$20,000 or less, 2%.	Over $20,000, 4%, not upon excess.			
All others.....	Transfers less than $500, no tax.	$10,000 or less, 3%.	$10,000 to $20,000, 4%.	$20,000 to $50,000, 5%.	$50,000 to $100,000, 6%.	Over $100,000, 10%.

Rate is on excess. Exemption applies to individual shares. Exemption in 3rd class applies only to shares less than $500.

INDIANA.*

	$10,000 to widow, $2,000 to others, no tax.	$25,000 or less, 1%.	$25,000 to $50,000, 1½%.	$50,000 to $100,000, 2%.	$100,000 to $500,000, 2½%.	Over $500,000, 3%.
Husband, wife, lineal issue, lineal ancestor, adopted or acknowledged child, lineal issue of same.....						
Brother, sister, descendant of same, son-in-law or daughter-in-law.....	$500, no tax.	1½%	2¼%	3%	3¾%	4½%
Aunt, uncle, descendant of same.....	$250, no tax.	3%	4½%	6%	7½%	9%
Great aunt, great uncle, descendant of same.....	$150, no tax.	4%	6%	8%	10%	12%
All others.....	$100, no tax.	5%	7½%	10%	12½%	15%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

IOWA.*

Husband, wife, father, mother, lineal descendant, adopted child, lineal descendant of same.....	Not taxed.		
All others.....	Estates of $1,000 or less, no tax.	Over $1,000, 5%	
Aliens, non-residents of U. S..	Estates of $1,000 or less, no tax.	Over $1,000, 20% except to brother or sister of decedent, then 10%.	

Tax on collaterals only. Exemption applies to estate as whole, but only when such estate does not exceed $1,000.

Subjects of Great Britain can be taxed only at 5% rate by decision of Iowa Supreme Court, on account of existing treaty.

KANSAS. *

Classes.	Rates and Exemptions.					
Husband, wife, lineal ancestor, lineal descendant, adopted child, lineal descendant of same, son-in-law or daughter-in-law	Not taxed.					
Brother, sister	$5,000, no tax.†	First $25,000 or fraction thereof, 3%.	Next $25,000 or fraction thereof, 5%.	Next $50,000 or fraction thereof, 7½%.	Next $400,000, or fraction thereof, 10%.	Over $500,000, 12½%.
All others	Less than $200, no tax.	5%	7½%	10%	12½%	15%

Exemption applies to individual shares, but only, in class 3, when shares are less than $200.
†If amount of transfer after allowing exemption of $5,000 is less than $200, no tax is imposed. When a distributive share is composed of property both within and without the state, only such proportion of the $5,000 exemption is allowed as the value of the property within the state comprising such share bears to the total value of such share.

KENTUCKY.

Father, mother, husband, wife, lawful issue, son-in-law or daughter-in-law, adopted child, lineal descendant of decedent	Not taxed.	
All others	$500, no tax.	Over $500, 5%

Tax on collaterals only. Exemption would seem to apply to individual shares.

LOUISIANA. *

Direct descendants or ascendants or surviving wife or husband of decedent	Transfers less than $10,000, no tax.	$10,000 or over, 2%
All others	No exemption.	All amounts. 5%

Exemption applies to individual shares, but only when such shares are less than $10,000.
Tax does not apply to property inherited, bequeathed or donated which has borne its just proportion of taxes prior to the time of such donation, bequest or inheritance.

MAINE. *

Classes.	Rates and Exemptions.			
Husband wife, lineal ancestor, lineal descendant, adopted child, adoptive parent, son-in-law or daughter-in-law	$10,000 to husband, wife, father, mother, child, adopted child, adoptive parent, no tax. $500 to others, no tax.	$50,000 or less, 1%.	$50,000 to $100,000, 1¼%.	Over $100,000, 2%.
Brother, sister, uncle, aunt, nephew, niece, cousin	$500, no tax.	4%	4½%	5%
All others	$500, no tax.	5%	6%	7%

Exemption applies to individual shares, but some courts tax upon entire amount if over exemption, while others tax only the excess over exemption. This uncertainty also prevails in case of large estates and tax may be upon excess or not as court pleases.

MARYLAND.

Father, mother, husband, wife, children, lineal descendants of decedent	Not taxed.	
All others	$500 to estate as whole, no tax.	Over $500, 5%

Tax on collaterals only. Exemption applies to estate as whole.

MASSACHUSETTS. *

Husband, wife, lineal ancestor, lineal descendant, adopted child, lineal descendant of same, adoptive parent, lineal ancestor of same, son-in-law or daughter-in-law	$10,000 or less, to husband, wife, father, mother, child, adopted child, adoptive parent, no tax. $1,000 or less to others, no tax.	$50,000 or less, 1%.	$50,000 to $250,000, 2%.	$250,000 to $1,000,000, 3%.	Over $1,000,000, 4%.		
Brother, sister, half or whole blood, niece, nephew	$1,000 or less, no tax.	$10,000 or less, 2%.	$10,000 to $25,000, 3%.	$25,000 to $50,000, 5%.	$50,000 to $250,000, 6%.	$250,000 to $1,000,000, 7%.	Over $1,000,000, 8%
All others	$1,000 or less, no tax.	$50,000 or less, 5%.	$50,000 to $250,000, 6%.	$250,000 to $1,000,000, 7%.	Over $1,000,000, 8%.		

Rate is on excess. Exemption applies to individual shares, but only when such shares do not exceed $10,000 or $1,000, respectively, in class 1, and $1,000 in classes 2 and 3, but in no event must tax reduce the share below the exempted amount; i. e., $10,001 can be taxed only $1.00, or no share less than $10,101.01 can be taxed at the 1% rate, when the transfer is one entitled to a $10,000 exemption.

MICHIGAN. *

Classes.	Rates and Exemptions.	
Grand parent, parent, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child	Transfers less than $5,000 to wife, less than $2,000 to others, no tax.	$5,000 or over to wife, $2,000 or over to others, 1%
All others	Less than $100, no tax.	$100 or over, 5%

Exemption applies to individual shares, but only when such shares are less than $5,000 or $2,000, respectively, in class 1, and are less than $100 in class 2. Tax applies only to personal property in class 1.

MINNESOTA. *

Wife, lineal issue	$10,000, no tax.	$15,000 or less, 1%.	$15,000 to $30,000, 1½%.	$30,000 to $50,000, 2%.	$50,000 to $100,000, 2½%.	Over $100,000, 3%.
Husband, adopted or acknowledged child, lineal issue of same	$10,000, no tax.	1½%	2¼%	3%	3¾%	4½%
Lineal ancestor	$3,000, no tax.	1½%	2¼%	3%	3¾%	4½%
Brother, sister, nephew, niece, son-in-law or daughter-in-law.	$1,000, no tax.	3%	4½%	6%	7½%	9%
Aunt, uncle, or descendant of same	$250, no tax.	4%	6%	8%	10%	12%
All others, except as below	$100, no tax.	5%	7½%	10%	12½%	15%
Public hospital, educational, religious or charitable organisations within state	$2,500, no tax.	2%	3%	4%	5%	6%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

MISSISSIPPI.

None.	No Tax.

MISSOURI. *

Father, mother, husband, wife, adopted child, direct lineal descendant of testator	Not taxed.	
All others	No exemption.	All amounts, 5%

Tax on collaterals only. No exemption.

MONTANA.

Classes.	Rates and Exemptions.	
Father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child, lineal descendant of decedent.	Estates less than $7,500, no tax.	$7,500 or over, 1%
All others	Estates less than $500, no tax	$500 or over, 5%

Exemption applies to estate as whole. Estates less than exemption not taxed in class 1. Exemption in class 2 applies only when estate is less than $500. Intention seems to have been to exempt real estate to direct heirs, but law exempts real estate to all direct heirs except father, mother, husband and wife and taxes them at the collateral rate, 5%.

NEBRASKA.

Father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child, lineal descendant of decedent	$10,000, no tax.	Over $10,000, 1%				
Uncle, aunt, niece, nephew, or lineal descendant of same	$2,000, no tax.	Over $2,000, 2%				
All others	Transfers less than $500, no tax.	$5,000 or less, 2%.	$5,000 to $10,000, 3%.	$10,000 to $20,000, 4%.	$20,000 to $50,000, 5%.	Over $50,000, 6%.

Rate is on excess. Exemption applies to individual shares. Exemption in 3rd class applies only when shares are less than $500.

NEVADA.

	$20,000 to widow or minor child, $10,000, to others, no tax.	$25,000 or less, 1%.	$25,000 to $50,000, 2%.	$50,000 to $100,000, 3%.	$100,000 to $500,000, 4%.	Over $500,000, 5%.
Husband, wife, lineal issue, lineal ancestor of decedent, adopted or acknowledged child, lineal issue of same						
Brother, sister, descendant of same, son-in-law or daughter-in-law	$10,000, no tax.	2%	4%	6%	8%	10%
Aunt, uncle, descendant of same	$5,000, no tax.	3%	6%	9%	12%	15%
Great aunt, great uncle, descendant of same	No exemption.	4%	8%	12%	16%	20%
All others	No exemption.	5%	10%	15%	20%	25%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

NEW HAMPSHIRE. *

Classes.	Rates and Exemptions.
Father, mother, husband, wife, brother, sister, lineal descendant, adopted child, lineal decendant of same, son-in-law or daughter-in-law.	Not taxed.
All others	5%. No exemption.

Tax on collaterals only.

NEW JERSEY. *

Husband, wife, child, issue of same, adopted child, issue of same, acknowledged child	$5,000, no tax.	$50,000 or less, 1%.	$50,000 to $150,000, 1½%.	$150,000 to $250,000, 2%.	Over $250,000, 3%.
Father, mother, brother, sister, son-in-law or daughter-in-law.	$5,000, no tax.	2%	2½%	3%	4%
All others	Transfers less than $500, no tax.	5%	5%	5%	5%

Rate is on excess. Exemption applies to individual shares. Exemption in 3rd class applies only when shares are less than $500.

NEW MEXICO.

None.	No Tax.

NEW YORK. *

Father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child, lineal descendant of decedent	First $5,000, no tax.	Next $50,000 or less, 1%.	Next $250,000 or less, 2%.	Next $1,000,000, or less, 3%.	Any greater amount, 4%.
All others	First $1,000, no tax.	5%	6%	7%	8%

Exemption applies to individual shares. Exemption unconditional. Four per cent. and 8% rates apply only on amounts in excess of $1,305,000 in first class and $1,301,000 in second class respectively, under N. Y. Supreme Court decision.

NORTH CAROLINA. *

Classes.	Rates and Exemptions.					
	$10,000 to widow, $5,000 to minor child, $2,000 to others, no tax.†	$25,000 or less, 1%.	$25,000 to $100,000, 2%.	$100,000 to $250,000, 3%.	$250,000 to $500,000, 4%.	Over $500,000, 5%.
Lineal issue, lineal ancestor, husband, wife, adopted child						
Brother, sister, descendant of same	No exemption.	3%	4%	5%	6%	7%
All others	No exemption.	5%	6%	7%	8%	9%

†Except grandchildren, who have but one exemption of the child they represent.
Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

NORTH DAKOTA. *

Husband, wife, father, mother, lineal descendant, adopted child, lineal descendant of same	$20,000 to husband or wife, $10,000 to others, no tax.	$100,000 or less, 1%.	$100,000 to $250,000, 2%.	$250,000 to $500,000, 2½%.	Over $500,000, 3%.	
Brother, sister, son-in-law or daughter-in-law	$500, no tax.	$25,000 or less, 1½%.	$25,000 to $50,000, 2¼%.	$50,000 to $100,000, 3%.	$100,000 to $500,000, 3¾%.	Over $500,000, 4½%.
Aunt, uncle, descendant of same	No exemption.	3%	4½%	6%	7½%	9%
All others	No exemption.	5%	6%	9%	12%	15%
Aliens, corporations not incorporated in U. S.	No exemption.	25%	25%	25%	25%	25%

Rate is on excess. Exemption would seem to apply to estate as a whole.

OHIO. *

Father, mother, husband, wife, lineal descendant, adopted child	Not taxed.	
All others	$500, no tax.	Over $500, 5%.

Collateral tax only. Exemption applies to estate as whole.

OKLAHOMA. *

Classes.	Rates and Exemptions.				
Father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child	$15,000 to widow, $10,000 to child, $5,000 to others, no tax.	$25,000 or less, 1%.	$25,000 to $50,000, 2%.	$50,000 to $100,000, 3%.	Over $100,000, 4%.
All others	$2,500, no tax.	5%	6%	8%	10%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

OREGON. *

Grandfather, grandmother, father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child, lineal descendant of decedent	Transfers less than $10,000, no tax. If over $10,000, $5,000, no tax.	1% on excess.			
Uncle, aunt, niece, nephew, lineal descendant of same	Transfers less than $5,000, no tax. If over $5,000, $2,000, no tax.	2% on excess.			
All others	Transfers less than $500, no tax.	$10,000 or less, 3%.	$10,000 to $20,000, 4%.	$20,000 to $50,000, 5%.	Over $50,000, 6%.

Rate is on excess. Exemption applies to individual shares, with additional exemption in entirety to transfers less than $10,000 in class 1, and $5,000 in class 2. Exemption in 3rd class applies only when shares are less than $500.

PENNSYLVANIA.

Father, mother, husband, wife, child, step-child, adopted child, lineal descendants of decedent, daughter-in-law	Not taxed.	
All others	Transfers less than $250, no tax.	$250 or over, 5%.

Collateral tax only. Exemption applies to individual shares, but only when such shares are less than $250.

RHODE ISLAND.

None.	Act recommended by joint special committee in 1910.

SOUTH CAROLINA.

Classes.	Rates and Exemptions.
None.	No tax.

SOUTH DAKOTA. *

	$10,000, no tax.	$15,000 or less, 1%.	$15,000 to $30,000, 1½%.	$30,000 to $50,000, 2%.	$50,000 to $100,000, 2¼%.	Over $100,000, 3%.
Wife, lineal issue						
Husband, lineal ancestor, adopted or acknowledged child, lineal issue of same	$10,000 to all but lineal ancestor, $3,000 to lineal ancestor, no tax.	1½%	2¼%	3%	3¾%	4½%
Brother, sister, descendant of same, son-in-law or daughter-in-law	$1,000, no tax.	3%	4½%	6%	7½%	9%
Aunt, uncle, descendant of same	$250, no tax.	4%	6%	8%	10%	12%
All others	$100, no tax.	5%	7½%	10%	12½%	15%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional. Municipal corporations alone exempt; $2,500 exemption allowed to hospital, educational, religious and charitable institutions.

TENNESSEE. *

Father, mother, husband, wife, child, lineal descendants of decedent	Estates less than $10,000, no tax.	$20,000 or less, 1%.	Over $20,000, 1¼%.	
All others	Estates less than $250, no tax.	$250 or over, 5%		

Rate apparently is not on excess. Exemption applies to estate as whole, but only when entire estate is less than $10,000 in class 1, and $250 in class 2.

TEXAS. *

Classes.	Rates and Exemptions.						
Father, mother, husband, wife, direct lineal descendant of decedent	Not taxed.						
Lineal ascendant, brother, sister, lineal descendant of same	$2,000, no tax.	$2,000 to $10,000, 2%.	$10,000 to $25,000, 2½%.	$25,000 to $50,000, 3%.	$50,000 to $100,000, 3½%.	$100,000 to $500,000, 4%.	Over $500,000, 5%.
Uncle, aunt, lineal descendant of same	$1,000, no tax.	3%	4%	5%	6%	7%	8%
All others	$500, no tax.	4%	5½%	7%	8½%	10%	12%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional. Collateral and lineal ascendant tax only.

UTAH.

No classes	$10,000, no tax.	$25,000 or less, 3%	Over $25,000, 5%

Exemption applies to whole estate.

VERMONT. *

Father, mother, husband, wife, lineal descendant, step-child, adopted child, child of either, son-in-law or daughter-in-law.	Not taxed.	
All others	No exemption.	All amounts, 5%

Collateral tax only.

VIRGINIA. *

Grandfather, grandmother, father, mother, husband, wife, brother, sister, lineal descendant of decedent	Not taxed.	
All others	No exemption.	All amounts, 5%

Collateral tax only.

WASHINGTON. *

Classes.	Rates and Exemptions.			
Father, mother, husband, wife, lineal descendant, adopted child, lineal descendant of same	$10,000, no tax.	1% on excess.		
Collateral heirs to and including the 3rd degree of relationship	No exemption.	$50,000 or less, 3%.	$50,000 to $100,000, 4½%.	Over $100,000, 6%.
All others	No exemption.	6%.	9%.	12%.

Rate is on excess. Exemption applies to estate as whole. Rate of 25% on aliens repealed in 1911.

WEST VIRGINIA. *

Wife, husband, child, lineal descendant or lineal ancestor of decedent	$15,000 to widow, $10,000 to others, no tax.	$25,000 or less, 1%.	$25,000 to $50,000, 1½%.	$50,000 to $100,000, 2%.	$100,000 to $500,000, 2½%.	Over $500,000, 3%.
Brother, sister (not half blood).	No exemption.	3%	4½%	6%	7½%	9%
All others	No exemption.	5%	7½%	10%	12½%	15%

Rate is on excess. Exemption applies to individual shares. Exemption unconditional.

WISCONSIN. *

Husband, wife, lineal issue, lineal ancestor, adopted or acknowledged child, lineal issue of same	$10,000 to widow, $2,000 to others, no tax.	$25,000 or less, 1%.	$25,000 to $50,000, 1½%.	$50,000 to $100,000, 2%.	$100,000 to $500,000, 2½%.	Over $500,000, 3%.
Brother, sister, descendant of same, son-in-law or daughter-in-law	$500, no tax.	1½%	2¼%	3%	3¾%	4½%
Aunt, uncle, descendant of same	$250, no tax.	3%	4½%	6%	7½%	9%
Great aunt, great uncle, descendant of same	$150, no tax.	4%	6%	8%	10%	12%
All others	$100, no tax.	5%	7½%	10%	12½%	15%

Rate is on excess. Exemption applies to individual shares. Exemption must come out of first $25,000, which is always at lowest rate. Exemption unconditional.

WYOMING.

Classes.	Rates and Exemptions.	
Father, mother, husband, wife, child, brother, sister, son-in-law or daughter-in-law, adopted or acknowledged child, lineal descendant of decedent	$10,000, no tax.	Over $10,000, 2%
All others	Transfers less than $500, no tax.	$500 or over, 5%

Exemption applies to individual shares. Exemption in class 2 applies only to shares less than $500.

ALASKA.

None.	No tax.

DISTRICT OF COLUMBIA.

None.	Act passed House in 1910; failed in Senate.

HAWAII.

Parent, husband, wife, child, grandchild, adopted child	$5,000, no tax.	2% on excess.
All others	$500, no tax.	5% on excess.

Exemption applies to individual shares. Property passing to class 2 may also be taxed as income under income tax law; property passing to class 1 may not be so taxed.

PORTO RICO.

Wife, child, grandchild, adopted child	Not taxed.				
Husband, lineal descendant	$200, no tax.	$5,000, or less, 1%.	$5,000 to $20,000, 1½%.	$20,000 to $50,000, 2%.	Over $50,000, 3%.
All others	$200, no tax.	3%.	4½%.	6%.	9%.

Rate is on excess. Exemption unconditional.

PHILIPPINE ISLANDS.

None.	No tax.

Date Due

END OF
TITLE